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# THE FARMER'S SIDE

## *HIS TROUBLES AND THEIR REMEDY*

BY

W. A. PEFFER

NEW YORK
D. APPLETON AND COMPANY
1891

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# THE FARMER'S SIDE.

## INTRODUCTION.

### I.—STUDY BY COMPARISON—THE FARMER.

WE learn much, and as to a great many things we learn best, by comparison. Contrast impresses the memory and sinks into the heart. If there were nothing white nobody would know that there is anything red or green. If the sky were never blue we would not know that it is ever black or gray. Without pain we would have no conception of pleasure. The sweetness of hope is intensified by the gloom of despair. Looking upon an object without knowledge of other objects with which to compare it, we have no satisfactory method or test of measurement. And this is true of properties and qualities as well as of form, dimension, and color. While any particular thing may be of a certain shape, size, and hue, without reference to the observer's capacity for discernment, yet, as to the observer himself, he will measure all these properties by his knowledge of things with which he may properly compare them. A farmer's estimate of the quality and value of his products is based upon what he knows of the quality and value of other similar articles with which he compares them. He recognizes the greater worth of improved methods in agriculture in their superiority over other methods with which he was once familiar. He measures the value of pure-bred Durhams, Devons, Herefords, Galloways, and Jerseys, by the merits of "scrubs" which he handled in his younger days. The merits of the steel plow impress his mind more forcibly when he notes the contrast between that and the sheet-iron mold-board of a century ago. The value of a self-binder is best measured in comparison with the sickle and the cradle which our fathers used to cut their grain with. The man of toil whose wasting energy follows him through the cheerless years, who shivers in the storm while hunger is gnawing at his vitals, knows he is poor because he feels all these cruel pangs. But how shall he measure the extent of his poverty? By what means shall he learn how poor he is? Let him watch currents flowing in the highway where all sorts and conditions of men are passing to and fro through the hours of the busy day. There he sees what accompanies ease and affluence, what follows wealth and fame. And as he looks upon the sparkling eyes and ruddy cheeks of playful children, and as he listens to the joyous laughter of merry-making sons and daughters of the well-to-do and rich, he turns toward the pale face, the sunken eye of the thinly clad child of his own home; how he sickens at the contrast, how his heart bleeds, how his soul weeps, how the poor man groans in agony when he beholds the depth of his poverty! He sees it in comparison.

Is the farmer in trouble? To what extent? Is he really poor? How shall we know? Is he worse off than men engaged in other lines of work? By what rule shall we measure the rate of his progress? Let him but look at the world about him and note the contrasts. Let him hold up a mirror, if you please—a mirror which reflects what has passed, what is passing, and foreshadows what is yet to come. Look and think. Behold, compare, and learn. Follow the guide.

Two hundred and seventy years have we been at work in this country. We conquered the wilderness, we peopled the solitudes, we civilized the continent. We cleared away forests, opened highways, established commerce, and builded a nation that leads all the rest in agriculture and manufactures, having half the railroad mileage of the world, with an internal trade which, measured either in dollars or in tons, exceeds the foreign commerce of any half-dozen other countries. Yet, with all that we have done, we find our necessities are multiplying while our profits are dividing. Society makes more demands upon us than our incomes will satisfy. Our ancient prerogatives have been wrested from us, our statesmen have been led away from the people, and money presides over the destinies of the republic.

One hundred years ago, when Benjamin Franklin was at the head of our postal system, there were only seventy-five post-offices in the country, and the aggregate length of all the mail routes was 1,875 miles. The entire cost of the service for the year 1790 was a little over $22,000, while the receipts for the year were nearly $28,000. The mail was carried mostly on horses. The trip from New York to Boston required five days, and from New York to Philadelphia the time was three days. At the beginning of the present century it required thirty-two days to carry a letter from Philadelphia to Lexington, Ky., and to reach Nashville on the same trip the time was extended to forty-four days. Now fifty-six railway mail trains, each with a post-office aboard, go into Chicago every day, and an equal number go out. The mail from Philadelphia to New York runs thirteen times daily, and from New York to Philadelphia ten times daily; the time is about two hours, with an aggregate weight of forty tons of mail. On the 30th day of June, 1890, the number of post-offices in the country was 62,401. The number of mail routes was over 26,000, and their aggregate length is 428,000 miles. The total length of all the trips made on all the routes both ways daily is equal to a line that would encircle the earth at the equator forty-one times. Packages sent through the mails during the year, all told, amounted to 4,500,408,206—over four thousand million—more than half of which were letters. The total expense of the system last year was $66,645,083, and the total revenue amounted to $60,858,783. The estimated cost of carrying mails on railroads alone for the year 1891 is $22,610,128.

The first passenger locomotive was put on the track sixty years ago. On the 30th day of June, 1889, the aggregate length of our railroads was 157,758 miles, and the entire railroad system of the country was capitalized at $9,015,175,374. (Total mileage January 1, 1891, was 160,554 miles.) In 1834, upon completing connection between Philadelphia and Pittsburg, it cost $1.12½ to carry a barrel of flour eastward over the route; now a bushel of wheat is carried from Kansas City to New York for 25 cents.

One hundred years ago there was not a cotton or a woolen factory in the United States outside of the dwellings of the people, and as late as fifty years ago cards and spinning wheels and weaving looms were in use on more than half the farms. Now we have about 260,000 manufacturing establishments. In 1880, the number was 253,840, with a capital of $2,790,223,506, using raw material valued at $3,394,340,029, turning out a finished product valued at $5,369,667,706. It required 2,738,930 persons to perform the work, and they received $947,919,674 wages during the year.

A hundred years ago 90 per cent of our population lived on farms, and transportation was so expensive that surplus wheat and corn had no market value fifty miles away from a market town. Now great cities have grown up, the market has been distributed all over the country, and distance is practically annihilated. From a small area along the Atlantic coast, we have spread across the continent, and we travel in palace cars from Boston to San Francisco in less than six working days. We have about 5,000,000 farms, though less than half of our people live on them. They are valued at something over eleven thousand million dollars. Ten years ago the value of farm machinery was $406,520,055, and our farm live stock on hand was worth $1,500,464,609. Our average annual production of wheat the last ten years has been about 500,000,000 bushels, and of corn we raised nearly four times that much. Learning, enterprise, and invention have added 75 per cent to the productive power of the people in the last fifty years. The opening of the Suez Canal shortened the distance between Bombay and Liverpool 10,000 miles and cheapened transportation 50 per cent. Wheat grown in India can be landed in Britain for 50 cents a bushel total cost. Many men now living remember when wheat, one hundred miles west of our large cities on the seaboard, was valueless except for home use, its carriage that distance being worth its full value in the market. One man and three horses plow as much ground with one plow as two men and four horses did with two plows formerly; one man with a seed drill will sow seed on twice as much ground as he could if sowing broadcast by hand; one man with a self-binder will put in sheaf as much wheat as twelve persons did before the reaper was invented. On the whole, one man does as much work on the farm now as two men did under the old *régime*, and more in some lines of work. The farmer produces as much grain to the acre, raises as many cattle, hogs, sheep, and horses, works as hard and steadily as he did then—but is he gaining? Has he saved anything? On the contrary, is he not in debt and falling behind? Is he not losing rather than gaining ground compared with his fellow-men? His crops have not fallen off, but their value in the market is less by 30 to 50 per cent than they were a dozen years ago, and before that time. He is paying all the way from 8 to 40 per cent for the use of money—money which goes up in value while his products go down. His taxes have not diminished a penny, while his crops are cut short one-half in paying power. The census reports have shown well for the farmer. In number and value farms have increased, farm implements have been multiplied many times, and live stock increases yearly. But the average farmer is not growing richer. In the last thirty-eight years railroad interests in the United States have developed 1,580 per cent, banking 918 per cent, manufactures 408 per cent, while agriculture has not gone beyond 200 per cent. He plows and sows and reaps with machines. A machine cuts his wheat and puts it in sheaf, and steam drives his thrashers. He may read the morning paper while he plows, and sit under an awning while he reaps. Surely, considering all these things, and in view of them, the farmer ought to be in his best estate, but he is not. He ought to be the richest, the most happy, the most influential and powerful citizen in the republic. Who is bold enough to assert that he is?

## II.—THE WAGE WORKER.

AND what shall we say of the wage worker, the artisan, the mechanic, the farm-hand, the common day laborer? Machinery has invaded his kingdom also. It does 75 per cent of his work; but how much better off is he than his father was fifty years ago? Who gets the benefit of invention—the hired man or his employer? One person now accomplishes as much work in a given time as four persons did before muscles were made of iron and nerves of steel. And what has become of the displaced hands, and what better off are the workers to-day in view of the altered conditions of living? The farm tenant, with his garden and potato patch, his cow pasture and fire-wood, his pigs, and his home-spun clothes, is not common now. A man's work is worth more than it was when everything was done by hand, because he can do more in a given time, and he receives more in wages; but things over which he has no control have so changed that his expenses are now necessarily greater than they were then, so that, while it need not, yet in fact it does cost him more to live than it did in the days of the flail and the hand loom. It is true that the farm laborer of to-day, whatever be his wages, is no better off —does not save any more money—than his predecessor of half a century ago. And how is it with the wage worker in other lines—mechanics, builders, and skilled workers? They, too, are apparently better off than they were in the days when blacksmiths and wagon-makers and shoe-makers were in every neighborhood, and carders and spinsters and weavers in every home. For these the figures show well on paper. Manufactures have developed enormously. One person in many instances can now do as much work in a factory as a dozen did in the same line when hand work was common. An engineer and his fireman will haul as much wheat or corn at one load over a railroad as would have required 100 wagons, 600 horses, and 100 men on the Philadelphia and Pittsburg turnpike only fifty years ago. Speaking generally, one person now does as much work in manufactures and commerce as four persons did when everybody was his own master But, though the productive power of individual workers has increased 300 per cent in forty years, their wages have not gone beyond 50 per cent on the average—taking the census figures of 1850 and 1880 as authority. Cost of manufactured products has been reduced 25 per cent, and of transportation 75 per cent on the general average, and to that extent the people have reaped substantial benefits from the use of machinery. But what has taken the place of the little shop at the cross roads, and what became of the worker there? Our wage workers earn more and receive more than they did formerly. But do they receive enough? Do they receive as large a share of the profit on their labor as their fathers did when they worked in their own little shops by the wayside half a century ago? What profit is there for the workman on a 33-cent pair of shoes, or on a 3-cent yard of cloth? The shoe factories and the cloth factories are owned by rich men. Do they receive more than their proper share of the profit, what little there is, on the men's work? And the women—ah, yes, the women! Three cents for making a shirt, 13 cents for a pair of trousers, 50 cents for a coat—there is no need of asking what share of the profit they get. Work and starvation the daily round all through the weary years. We have steam engines and electric motors. We have sewing machines, perfecting printing presses, and telephones. We have pneumatic tubes to carry our mail. We talk over a wire to a friend a hundred miles distant. We preserve speech on a cylinder, and have music repeated to us by a machine. We travel at the rate of a mile a minute and dine as we go. The lightning carries messages for us, and we float ships on the air. But what good has all this wrought for the man of toil? Is he any the richer, happier, or more content than his ancestor was when the old-fashioned wagon shop stood by the highway, and the carpenter made his own sashes and doors, and the neighborhood mechanic owned the house he lived in?

Briefly, while the world has been moving ahead with long and rapid strides, while invention has multiplied machinery a thousand fold, giving every worker ten hands and increasing wealth at marvelous rate; while the country has advanced without parallel in the history of nations; while statisticians flood reports with bewildering figures; while politicians grow big with patriotic conceptions and eloquent with fervid speech, the men and women who do the manual work are growing relatively poorer, and the few who live off of the profits of other men's labor, or off of the interest on money, or rent on buildings and land, and they who gamble in labor's products and play with the fortunes of men as if they were foot-balls or dice, and to whom the toil and sweat of the poor have no more value than the drip of the roof, are growing richer. Advances in wages, real though they are, have not kept pace with the growing necessities of the working people. Is not the workman worthy of his hire? Ought not the producer to be first paid? Who may rightfully despoil him?

# PART I.

## *WHERE WE ARE.*

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## CHAPTER I.

### GENERAL AVERAGE PROGRESS OF THE COUNTRY—COMPARED WITH PARTICULAR INDUSTRIES.

WHAT is the real condition of American farmers, and how do they stand when compared with men conducting other great industries—as, for example, railroading, banking, and manufactures? And what is the present condition of wage workers in comparison with that of their class during the first half of the century, and when compared with the wealth of their employers? These are pertinent questions; much depends upon the answers to them. Let us trace the general progress of the people as a whole and use that as a standard of comparison.

The total estimated wealth of the people of the United in 1850 and every tenth year afterward was as follows:

| | |
|---|---|
| 1850 | $7,135,780,228 |
| 1860 | 16,159,616,068 |
| 1870 | 30,068,518,507 |
| 1880 | 43,642,000,000 |
| 1890 (estimated) | 66,000,000,000 |

(The figures for 1890 have not yet been published. They will probably be about $66,000,000,000.) It will be seen from this statement that the increase of our wealth, all items included, was, for the first period of ten years, 126 per cent; for the second period, 86 per cent; for the third period, 45 per cent; for the fourth period, 50 per cent; and for the whole period, 825 per cent. From 1850 to 1880 the increase was 511 per cent. This shows the general development and growth of the country when all the great industries were considered as one. Now, let us compare a few of the leading lines of business—railroading, banking, manufactures, and agriculture—with the general average, and see whether any of them exceeded it or fell behind.

## RAILROADING.

The following tables show the progress of railroad building in the United States:

TABLE I.

| YEAR. | Miles in operation. | Increase. |
|---|---|---|
| 1830 | 23 | ...... |
| 1840 | 2,818 | 2,795 |
| 1850 | 9,021 | 6,203 |
| 1860 | 30,635 | 21,614 |
| 1870 | 52,914 | 22,279 |
| 1880 | 93,349 | 40,435 |
| 1890 | 160,554 | 67,205 |

—Poor's *Railroad Manual.*

TABLE II.

| RAILWAY CAPITALS. | Amount outstanding (total). | Per cent of total capital. | Amount outstanding (item). | Per cent of total capital. | Per mile of road. |
|---|---|---|---|---|---|
| Stocks | $4,251,190,719 | 47.16 | ............ | ..... | $27,716 |
| Common | ............ | ..... | $3,677,266,136 | 40.78 | ...... |
| Preferred | ............ | ..... | 573,924,583 | 6.37 | ...... |
| Funded debt | 4,321,856,023 | 47.91 | ............ | ..... | 28,176 |
| Bonds | ............ | ..... | 4,267,527,859 | 47.54 | ...... |
| Car-trust obligations and receiver's certificates | ............ | ..... | 54,328,164 | .60 | ...... |
| Current liabilities | 442,128,632 | 4.90 | ............ | ..... | 2,883 |
| Audited vouchers, bills payable, etc. | ............ | ..... | 250,282,196 | 2.78 | ...... |
| Dividends, interest, and miscellaneous. | ............ | ..... | 191,846,436 | 2.13 | ...... |
| Total | $9,015,175,374 | 100 | $9,015,175,374 | 100 | $58,775 |

Table II presents a summary of railway capital (153,385.37 miles of line represented) found on page 23 of the Interstate Commerce Commission Report for 1889 (reports from some of the roads had not been received in time for incorporation in the table).

**Table III.**—*Showing gross and net income and dividends paid on our railways for the years written.*

| Year. | Miles operated. | Earnings. |  | Dividends paid. |
|---|---|---|---|---|
|  |  | Gross. | Net. |  |
| 1871 .......... | 44,614 | $403,329,208 | $141,746,404 | $56,456,681 |
| 1880 .......... | 84,225 | 615,401,931 | 255,193,436 | 77,115,411 |
| 1881 .......... | 94,486 | 725,325,119 | 276,654,119 | 93,344,200 |
| 1882 .......... | 107,158 | 770,356,716 | 310,682,877 | 102,031,434 |
| 1883 .......... | 110,414 | 823,772,924 | 298,367,285 | 102,052,543 |
| 1884 .......... | 115,672 | 770,684,908 | 268,064,496 | 93,244,835 |
| 1885 .......... | 123,330 | 772,568,833 | 269,493,931 | 77,672,105 |
| 1886 .......... | 125,185 | 829,940,836 | 300,603,564 | 81,654,138 |
| 1889 .......... | 153,385 | 964,816,129 | 320,109,428 | 82,110,198 |
| Total dividends paid .......................... |  |  |  | $765,681,545 |

**Table IV.**—*Showing number of miles of road in operation in the years written, the capitalization per mile, the net traffic earnings per mile, and per cent of earnings on capital.*

| Year. | Miles of road operated. | Capitalization per mile of road. | Net traffic earnings per mile. | Per cent of earnings on capital. |
|---|---|---|---|---|
| 1874.................. | 69,273 | $58,256 | $2,736 57 | 4.70 |
| 1875.................. | 71,759 | 61,652 | 2,585 13 | 4.19 |
| 1876.................. | 73,508 | 58,562 | 2,536 50 | 4.33 |
| 1877.................. | 74,112 | 60,678 | 2,307 00 | 3.80 |
| 1878.................. | 78,960 | 59,163 | 2,375 57 | 4.01 |
| 1879.................. | 79,009 | 57,730 | 2,740 76 | 4.75 |
| 1880.................. | 82,146 | 58,624 | 3,111 01 | 5.30 |
| 1881.................. | 92,971 | 60,445 | 2,930 02 | 4.85 |
| 1882.................. | 104,971 | 61,303 | 2,670 42 | 4.36 |
| 1883.................. | 110,414 | 62,030 | 2,656 07 | 4.28 |
| 1884.................. | 115,672 | 61,366 | 2,318 32 | 3.78 |
| 1885.................. | 123,320 | 61,398 | 2,185 32 | 3.56 |
| 1886.................. | 125,185 | 61,098 | 2,401 27 | 3.93 |
| 1887.................. | 137,028 | 58,603 | 2,444 67 | 4.17 |
| 1888.................. | 145,387 | 60,731 | 2,074 61 | 3.42 |
| Average per cent.................................... |  |  |  | 4.23 |

From Table II it appears that the total capitalization of the roads reported (153,385) June 30, 1889, was $9,015,-

175,374, and from Table III it appears that the net earnings for the year amounted to $320,109,428, which, as any one may compute for himself, is 3½ per cent. The actual cost of the roads was much less, however, than the capitalization above given. A fair and liberal estimate of the actual cost of the roads is $30,000 per mile, and at that rate the total cost of the miles reported (153,385) is $4,601,550,000. On this amount the net earnings as above given ($320,109,428) is equal to a fraction less than 7 per cent. Table IV shows an average of 4.23 per cent annual profit on a capitalization nearly half water. A business that has grown thus rapidly from 23 miles of road in 1830 to 160,554 miles in 1890, and that has yielded a profit of 8 per cent average on a fair valuation during a period of the last fifteen years, putting its annual surplus into new roads, is assuredly a prosperous business. How far is this above the general average of the country from 1850 to 1880? More than 700 per cent. Mr. Mulhall, an English statistician of repute, puts the aggregate development of railroading in the United States from 1850 to 1888 at 1,580 per cent.

### BANKING.

In order to show the growth and status of banking it is not necessary to do more than present a few figures taken from the report of the comptroller of the currency for 1890. The national banking system was established in 1863, and the number of banks organized that year was 134. The law was amended in 1864, and the number of banks organized that year was 453. The total number of banks organized from 1863 to 1890 is 4,455, of which number 3,567 were doing business on the 31st day of October, 1890. The capital of the 134 banks organized in 1863 was $16,378,700, equal to an average of $122,229. On the 31st day of October, 1890, the 3,567 banks had an aggregate capital stock of $659,782,865, an average of

$184,968. On pages 162 and 163 of the comptroller's report is a table showing the amount of capital and earnings of all the national banks in the country in half-year periods from September 1, 1881 to September 1, 1890. From that table it appears that the aggregate national-bank capital in March, 1882, was $460,354,485, with a surplus amounting to $131,291,889. On the first day of September, 1890, the aggregate capital of all the national banks was $634,773,746, with a surplus on hand amounting to $211,869,139. The total amount of dividends paid by the banks during that period of nine years was $394,343,286, with a surplus on hand at the end of the time amounting to $211,869,139. Adding surplus on hand to dividends paid out to stockholders, we have a total profit of $606,212,425 in nine years on a capital beginning at $460,354,485 and ending at $634,773,746. The average annual capital for the period was $542,504,355, and the average surplus was $163,784,016, with average annual dividends of $21,907,960. The number of banks increased during the period from 2,137 in the beginning, to 3,412 at the end, while the amount of bank-note circulation decreased $201,083,220.

That the development of banking has been enormous is plainly and positively proved by the foregoing figures relating to national banks. The business has grown far ahead of the general average of the country—300 per cent. State banks have fared quite as well. Mr. Mulhall puts the banking progress of this country since 1850 at 918 per cent. It is much greater than that.

## MANUFACTURING.

The census report for 1880 gives a view of the condition and growth of our manufacturing industries from 1850 up to that time. Summarized it is as follows:

TABLE V. Capital Det.

| YEAR. | Number of establishments. | Capital invested. | Number of hands employed. | Wages paid. | Value of product. | Value of materials. |
|---|---|---|---|---|---|---|
| 1850.... | 123,025 | $533,245,351 | 957,059 | $236,755,464 | $1,019,106,616 | $555,123,822 |
| 1860.... | 140,433 | 1,009,855,715 | 1,311,236 | 378,878,966 | 1,885,861,677 | 1,031,605,092 |
| 1870.... | 252,148 | 2,118,208,769 | 2,053,996 | 775,584,343 | 4,232,325,442 | 2,488,427,242 |
| 1880.... | 253,852 | 2,790,272,606 | 2,738,895 | 947,953,795 | 5,369,579,191 | 3,396,823,549 |

It will be seen that the number of establishments increased a little over 100 per cent in the thirty years, the number of hands employed increased about 200 per cent, the aggregate amount of wages paid increased about 300 per cent, the capital invested and the value of the product increased about 400 per cent, and the value of the material used increased about 500 per cent.

The census report for 1890 will not, probably, show a very high percentage of increase since 1880, but it will hardly fall below that of the period from 1850 to 1880, so that it may be fairly assumed here that the rate of development for the thirty-year period (1850 to 1880) was continued during the period from 1880 to 1890. From this statement it appears that the manufacturing industries as a whole have not quite kept even with the general rate of increase on all the industries of the country taken as one. It must be remembered, however, that the word "manufactures," as it is used in the census reports, includes all kinds, classes, and grades of manufacturing work. A village cabinet-maker, or tinner, or broom-maker is a manufacturer, and their shops are places of manufacture. Of the 253,852 manufacturing establishments reported in 1880 a large proportion of them were small and inconsiderable. The profits in them were about the same as those of farmers and laborers in general. It is in the large establishments, and where the largest capital is invested, that the profits are greatest. Take those of New England, for example. On page 24, American Almanac for 1889, is found a table showing Dividends of New England Manufacturing Companies for Eleven Years—1877 to 1887, both Years included. Of sixty-five companies named, one has capital, $200,000; one, $260,000; two have capital, $350,000 each; three, $400,000; one, $450,000; and all the rest are capitalized at $500,000 to $3,000,000 each. The average capital for each of the sixty-five companies is $1,007,200. The shares of all but one of these sixty-five companies rated at par and upward for the entire period of eleven years—seventeen of them rating at 1,000, while thirty-three, just one more than half, rated at 100. All the others, with the single exception above mentioned, rate at 200 up to 1,000. This means that the shares of stock in these sixty-five great manufacturing companies are worth in the market from 100 cents to 1,000 cents on the dollar's worth as they are rated in the capital account on the books of the companies. It appears that, of the entire number (sixty-five), fourteen of them declared dividends every year amounting to from 6 per cent (the lowest) to 52 per cent (the highest). It appears, further, that eight of the companies paid extra dividends, amounting to 20 per cent in one case (in 1879) to 30 per cent in another, 33⅓ per cent in one, and 50 per cent in each of two others; besides, stock dividends were divided in one case 33⅓ per cent, in another case 50 per cent, and in another case $1,000 extra per share of stock.

A fair average annual rate of profit, which these figures show, is not less than 12 per cent, and it is not unreasonable to believe that 10 per cent is below the average profit of the large manufacturing establishments generally throughout the country during the last thirty years. Ex-Secretary Boutwell, in *The Forum* for October, 1890, in an article showing the growth of New England in late years, proudly cites the fact that "in 1885 there were

23,431 manufacturing industries in Massachusetts, of which 15,561 were established since the passage of the tariff act of 1861; and of these, 5,634 were erected in the years from 1880 to 1884, inclusive. In the same five years 667 factories and mills were erected for the production of metals and metal goods."

Taking the general average rate of development the country over at 825 per cent in forty years, it is evident that the smaller manufacturing establishments must be working at very low rates, when the larger ones are making from 10 to 20 per cent, and some of them much more.

## AGRICULTURE.

There has been a general narrowing of profit margins in all departments of production. Net profit on units has become so small that combinations of capital and labor, operating large interests under one management, are necessary to maintain wages and insure remuneration in manufacturing industries. The little shops and forges scattered over the country fifty years and more ago are gone—absorbed in great establishments where a thousand men are employed. The farmer only among workers retains his individuality. The nature of his calling renders his isolation necessary. Other industries concentrate agencies of production, while agriculture must be carried on by individual farmers, every man on a particular parcel of land. And while farming is the great industry, underlying all others, the farmer's profits have fallen off more in the aggregate than those of any other producer. The capital employed in mining, mechanics, and manufacturing, and the production of petroleum in the United States in 1880, as suggested by Mr. Elliott, in *American Farms*, amounted to $2,790,000,000, employing 22 per cent of the industrial population, or 3,838,112 persons, who threw on the market that year a production valued at $5,679,854,599. It is estimated that of this amount $3,394,000,000 went into it in the shape of raw material, which would leave $2,285,854,599 to represent the net production for the year, or $595 for each person engaged. The aggregate value of all agricultural products that year was put at $3,600,000,000 by the statistician of the Agricultural Department. This amount includes an allowance of $1,000,000,000 for what was consumed on the farms, leaving $2,600,000,000 to pay the farmers and their assistants for their year's work—an average of $473 apiece. Allowing the average individual outlay to keep up the farm to be $100 a year, it would leave the farmer $373 as his yearly net income, a sum less by $222 than the yearly pay of the manufacturer and other classes named above. The aggregate wealth of the States and of the country at large has been and is now increasing rapidly, but the farmer and his "hired man" are falling behind. The average per capita wealth in Massachusetts increased from $662 in 1860 to $1,568 in 1880, and the rate of increase has kept steadily gaining up to the present, but agriculture is languishing and farm lands are thrown out to commons. In New York State the aggregate wealth is growing fast; the per capita valuation of property was $475 in 1860, $1,499 in 1888, and in 1890 it was not far from $2,000; while farmers in some parts of the State are unable to pay interest on their debts. Ohio doubled her per capita valuation from 1860 to 1880, and it has been greatly increased since, but the individual farmer is not gaining. The Cleveland Rolling Mill Company earns for its owners from $12,000,000 to $15,000,000 profits annually—equal to the aggregate income of 24,000 farmers, allowing $500 to be the individual average. The wealth of Pennsylvania increased from $1,416,510,818 in 1860 to $5,393,000,000 in 1880—more than trebling; but the average farmer is not advancing. In Michigan, Illinois, Missouri, and in every State where large manufacturing interests are located, the aggregate wealth increases fast, but agriculture languishes. Philadelphia, Pittsburg, Chicago, and St. Louis are growing rich as cities, but their wealth comes not from the farms, though Pennsylvania, Illinois, and Missouri are good farming States. The Southern States are rapidly advancing in wealth. They make a good showing in the census reports. But it is not the farmers who are thus marching ahead. Mr. Superintendent Porter, of the Census Bureau, prepared a paper for the *Manufacturers' Record*, April, 1891, in which he shows a marvelous growth in that part of the country. Concerning the last decade, Mr. Porter shows that the South is to-day producing as much coal, iron ore, and pig iron as the entire United States produced in 1870. The progress of the Southern States in the manufacture of steel will be as great during the next ten years as it has been in the production of coal and pig iron during the past decade. Anniston, Ala., increased from 942 people in 1880 to 9,876 in 1890. Birmingham, which was unknown when the census of 1870 was taken, and which in 1880 had a population of 3,086, had grown in 1890 to a flourishing city of 26,178 inhabitants—in fact, a center of industrial activity of 75,000 people, and showing an increase within the corporate limits of nearly 750 per cent. in ten years. The value of land in and around that city has increased at a rate which is almost incredible, and one land company of that city, which was incorporated with $100,000 cash capital, paid in five years (from 1883 to 1888) over 5,000 per cent. on its cash capital, or a total of $5,570,000, and now has property worth probably $50,000,000. Sheffield in 1885 hardly existed, while in 1890 it had 2,730 inhabitants, and will soon have 5,000. Chattanooga had a population of 12,892 in 1880 and 29,100 in 1890. Little Rock had 13,138 in 1880 and 25,874 in 1890. Knoxville increased from 9,693 in 1880 to about 40,000 in

1890. Middlesborough, Ky., had no name and no inhabitants two years ago, but to-day has close upon 5,000 people and some of the most gigantic enterprises of modern times. Johnson City had 685 inhabitants in 1880, and now has nearly 5,000. Roanoke, Va., which does not appear at all in the census of 1880, is now a city of 16,159 inhabitants. Atlanta, Ga., according to the census of 1880, contained 37,409 inhabitants, and in 1890, 65,533, an increase of over 75 per cent. In 1860 the best estimates that can be obtained show that the Southern States produced less than a million tons of coal, and in 1870 about 2,000,000 tons. In the year 1880, as shown by official data, this production had increased to 5,676,160 tons. According to the eleventh census returns, the production in 1890 was 17,772,945. This gives an output in the coal-producing States of the South in 1890 of more than twice the entire output of bituminous coal in the United States in 1860, and nearly 2,000,000 more tons than the total production of the United States in 1870. The manufacture of cotton has increased to a wonderful degree, as will be seen from the fact that in 1880 the amount of cotton consumed in the South was 180,000 bales, while in 1890 it used 497,000 bales, an increase of 175 per cent.

Mr. Porter shows great progress in these States, but it is all on account of mining and manufacturing. He shows that cotton raising is unprofitable, and charges it to "bad agricultural methods." "It is claimed," he says, "that cotton is one of the most profitable crops that can be raised when its cultivation is carried on intelligently and on a cash basis."

So it is all over the country and all over the world. Agriculture is behind, farming is profitless, farmers are not doing business on a "cash basis." The railroad builder, the banker, miner, and manufacturer are growing richer, while the farmer and his coworker are poorer as the years pass.

# CHAPTER II.

## PROGRESS OF AGRICULTURE.

THE following table shows the progress of agriculture during the thirty years from 1850 to 1880:

TABLE VI

| | 1850. | 1860. | 1870. | 1880. |
|---|---|---|---|---|
| Farms, number | 1,449,073 | 2,044,077 | 2,659,985 | 4,008,907 |
| Farms, acres in | 293,560,614 | 407,212,538 | 407,735,041 | 536,081,835 |
| Farms, value, dollars | 3,271,575,426 | 6,645,045,007 | 9,262,803,861 | 10,197,096,776 |
| Farm implements, value, dollars | 151,587,638 | 246,118,141 | 336,878,429 | 406,520,055 |
| Live stock, value, dollars | 544,180,516 | 1,089,329,915 | 1,525,276,457 | 1,500,464,609 |
| Horses, number | 4,336,719 | 6,249,174 | 7,145,370 | 10,357,488 |
| Mules and asses, number | 559,331 | 1,151,148 | 1,125,415 | 1,812,808 |
| Work oxen, number | 1,700,744 | 2,254,911 | 1,319,271 | 993,841 |
| Milch cows, number | 6,385,094 | 8,585,735 | 8,935,332 | 12,443,120 |
| Other cattle, number | 9,693,069 | 14,779,373 | 13,566,005 | 22,488,550 |
| Sheep, number | 21,723,220 | 22,471,275 | 28,477,951 | 35,192,074 |
| Swine, number | 30,354,213 | 33,512,867 | 25,134,569 | 47,681,700 |
| Butter, pounds | 313,345,306 | 459,681,372 | 514,092,683 | 777,250,287 |
| Cheese, pounds | 105,535,893 | 103,663,927 | 53,492,153 | 27,272,489 |
| Corn, bushels | 592,071,104 | 838,792,742 | 760,944,549 | 1,754,591,676 |
| Oats, bushels | 146,584,179 | 172,643,185 | 282,107,157 | 407,858,999 |
| Wheat, bushels | 100,485,944 | 173,104,924 | 287,745,626 | 459,483,137 |
| Rye, bushels | 14,188,813 | 21,101,380 | 16,918,795 | 19,831,595 |
| Wool, pounds | 52,516,959 | 60,264,913 | 100,102,387 | 155,681,751 |
| Cotton, bales | 2,469,093 | 5,387,052 | 3,011,996 | 5,755,359 |
| Hay, tons | 13,838,642 | 19,083,896 | 27,316,048 | 35,205,712 |
| Hops, pounds | 3,497,029 | 10,991,996 | 25,456,669 | 26,546,378 |
| Rice, pounds | 215,313,497 | 187,167,032 | 73,635,021 | 110,131,373 |
| Tobacco, pounds | 199,752,655 | 434,209,461 | 262,735,341 | 472,661,157 |
| Irish potatoes, bushels | 65,797,896 | 111,148,867 | 143,337,473 | 169,458,539 |
| Sweet potatoes, bushels | 38,268,148 | 42,095,026 | 21,709,824 | 33,378,693 |

The average value of farms in 1850 was $2,257; in 1880 it was $2,543, and the average size of farms had decreased from 202 acres in 1850 to 134 acres in 1880. The average value of the acres included in farms was, in 1850, $11; in 1880 it was $19, an increase of $8 per acre, or 73 per cent in the whole period from 1850 to 1880. The increase in value of live stock during the thirty-year period was 176 per cent; of farm implements, 170 per cent; increase in pounds of butter, 148 per cent; bushels of corn, 196 per cent; oats, 178 per cent; wheat, 357 per cent; rye, 40 per cent; pounds of wool, 196 per cent; cotton, 133 per cent; tons of hay, 154 per cent; pounds of hops, 651 per cent; tobacco, 137 per cent; Irish potatoes, 158 per cent—making a general average increase on all these items of personal property equal to about 200 per cent. The prices of some articles named in the table were as follows in the years written:

| | 1850. | 1880. |
|---|---|---|
| Corn | 59 cts. | 54 cts. |
| Wheat | $1 06 | $1 24 |
| Cotton | 12 cts. | 11½ cts. |
| Butter | 12 cts. to 18 cts. | 14 cts. to 39 cts. |
| Hops | 8 cts. to 19 cts. | 17 cts. to 39 cts. |
| Oats | 37 cts. to 51 cts. | 36 cts. to 49 cts. |
| Wool | 30 cts. to 35 cts. | 25 cts. to 45 cts. |

Prices of the first three items are taken from table on page 312, Statistical Abstract of the United States for 1889; prices of the other four articles are taken from American Almanac, 1887, pages 100 to 102.

From these figures it is evident that, including the rise in value of land, increase of productive force by machinery, and fall in cost of transportation, the general average development and growth of agriculture during the period beginning with the year 1850 and ending with the year 1880 did not exceed 200 per cent. This is taken in gross —the gross increase, including all advances, excluding all increase or decrease in expense of carrying the business forward. Remember the figures. Agriculture grew in thirty years 200 per cent. Put in other, and perhaps plainer words, the farming industry of the country trebled itself in thirty years, while the general average increase for the whole country was 511 per cent during the same period.

The census figures for the period 1880 to 1890, so far as they relate to agriculture, have not yet been published; hence the data must be obtained from other sources. From tables published by the Department of Agriculture in 1889, by the Chicago Board of Trade recently, and from current market reports, the following facts and figures are taken, showing fairly the condition of agriculture during that time.

The average price of No. 2 red wheat in Chicago during the five years ending with 1883 was $1.11 a bushel; in the next period of five years, ending 1888, the average price of the same grade of wheat in the same market was 81 cents a bushel, a drop of 28½ per cent, although the wheat consumption of the country had fallen off 2½ per cent and the population had increased 15 per cent in the same time. Corn and live stock, cotton and wool are about 40 per cent lower than they were ten years ago. The annual average production of wheat in the United States in the years from 1871 to 1881, inclusive (eleven years), was 342,224,776 bushels. The average for the eight years 1880 to 1887 was 448,150,757 bushels, an increase of 30 per cent, just about equal to the increase of population during the same time. The annual average export of wheat during the years 1871 to 1882, inclusive (twelve years), was 95,345,889 bushels; and during the years of 1881 to 1887 (seven years) the average was 135,500,076 bushels, an increase of 42 per cent. This shows that our consumption of wheat during all the years from 1871 to 1889 did not increase as fast as the population by about 3 per cent, and the market reports show that the average price of wheat during the years from 1871 to 1881 was $1.05 a bushel, while the average since that time has been about 75 cents, a drop of 30 cents a bushel—28½ per cent.

Here are some figures showing wheat values during the years named:

| | 1875. | 1887. | Reduction. |
|---|---|---|---|
| Average export value | $1 124 | $0 89 | $0 234 |
| Average farm value, United States | 1 00 | 681 | 319 |
| No. 2 spring, Chicago | 99 @ 1 04 | 75⅜ @ 78½ | 25 |
| Average farm value, New York | 1 31 | 82 | 49 |
| Average farm value, Ohio | 1 09 | 75 | 34 |
| Average farm value, Illinois | 91 | 70 | 21 |
| Average farm value, Nebraska | 64 | 53 | 11 |

The decline in average farm value of wheat has been very great since 1881, as follows, the average being that of all the States and Territories on the 1st of December of each year:

| Years. | Prices. | Years. | Prices. |
|---|---|---|---|
| 1881 | $1 193 | 1886 | $0 687 |
| 1882 | 882 | 1887 | 681 |
| 1883 | 91 | 1888 | 67 |
| 1884 | 645 | 1889 | 68 |
| 1885 | 771 | | |

Wheat was lower in the United States in 1885 than it had been in forty years, and lower in England in 1886 than it had been in a hundred years. The average value of our wheat crops by the acre during the four years 1880 to 1883 was $11.77, and during the next four years it was $8.30½, a drop of 29½ per cent. Values of other grains and field products fell in about the same proportion during the same years.

While it is a little better with live stock, it is bad enough. During the four years 1880 to 1883 there were 6,446,637 head of cattle and calves, 24,992,328 hogs, 2,208,-238 sheep, and 52,418 horses received at the stock yards in Chicago, valued at $723,938,329 in the aggregate; during the next four years the numbers were 8,297,037 cattle and calves, 24,479,115 hogs, 4,174,880 sheep, and 111,961 horses, valued at $704,372,033. The average value per animal during the first period was $20.98, and during the second period it was $19. The increase in number was 7 per cent, decrease in value 10 per cent, though the population of the country had increased 22 per cent during the eight years. These last percentages would be varied somewhat if the values of the different classes of animals were given separately, but the average drop in prices would be quite as much as these figures show.

On pages 304 to 314, inclusive, of the Statistical Abstract of the United States for 1889, figures are found for the following tables:

TABLE VII.—*Showing the average price of good and choice native steers per 100 pounds in the Chicago cattle market for each of the years written.*

| | 1884. | 1885. | 1886. | 1887. | 1888. | 1889. |
|---|---|---|---|---|---|---|
| Steers.......... | $6 02 | $5 25 | $4 67½ | $4 29 | $4 70 | $3 95 |

TABLE VIII.—*Showing the average prices of No. 2 red wheat, No. 2 corn mixed, and No. 2 oats in the Chicago market for the years written.*

| YEAR. | Wheat. | Corn. | Oats. |
|---|---|---|---|
| 1881 .......................... | $1 31.8 | $0 63.1 | $0 45.9 |
| 1882 .......................... | 1 27.8 | 80.1 | 51.9 |
| 1883 .......................... | 1 17.5 | 65.1 | 42.9 |
| 1884 .......................... | 97.5 | 60.8 | 36.0 |
| 1885 .......................... | 96.4 | 53.1 | 35.9 |
| 1886 .......................... | 88.5 | 48.4 | 35.1 |
| 1887 .......................... | 88,9 | 50.6 | 34.3 |
| 1888 .......................... | 97.1 | 57.3 | 35.5 |
| 1889 .......................... | 88.3 | 43.0 | 28.8 |

TABLE IX.—*Showing the average price of medium wool per pound for the month of January of each year, the average price per pound of middling cotton, the average price per barrel of mess pork, and tobacco leaf per pound in the New York market for the years written.*

| YEAR. | Medium wool. | Middling cotton. | Mess pork. | Tobacco leaf. |
|---|---|---|---|---|
| 1881...... .................. | $0 49 | $0 12.03 | $16 94 | $0 8.3 |
| 1882.......................... | 46 | 11.56 | 19 79 | 8.5 |
| 1883.......................... | 43 | 11.88 | 16 59 | 8.6 |
| 1884........ ........... | 40 | 10.88 | 16 48 | 9.1 |
| 1885.......................... | 33 | 10.45 | 11 58 | 9.9 |
| 1886.......................... | 36 | 9.28 | 10 63 | 7.8 |
| 1887.......................... | 38 | 10.21 | 15 00 | 8.7 |
| 1888.......................... | 35 | 10.03 | 15 10 | 8.3 |
| 1889.......................... | 38 | ........ | 12 57 | 8.8 |

These tables show that the prices of farm products have been falling since 1880. The prices of wheat and corn for 1890 were better than they had been for several years, but it was because of a short-crop of those staples. When figures for the decade 1880 to 1890 are published, they will show a great falling off compared with those for the preceding ten years, and the average prices for the last half of the decade will show at least 20 per cent lower than those for the first half.

TABLE X.—*Showing the total production, acreage, and value of all the cereal crops—corn, wheat, rye, oats, barley, and buckwheat—in the United States from 1867 to 1888 (taken from page 290 of Statistical Abstract of the United States for 1889).*

| CALENDAR YEAR. | Total production. | Total area of crops. | Total value of crops. |
|---|---|---|---|
| | *Bushels.* | *Acres.* | *Dollars.* |
| 1867 | 1,329,729,400 | 65,636,444 | 1,284,037,300 |
| 1868 | 1,450,789,000 | 66,715,926 | 1,110,500,583 |
| 1869 | 1,491,612,100 | 69,457,762 | 1,101,884,188 |
| 1870 | 1,629,027,600 | 69,254,016 | 997,423,018 |
| 1871 | 1,528,776,100 | 65,061,951 | 911,845,441 |
| 1872 | 1,664,331,600 | 68,280,197 | 874,594,459 |
| 1873 | 1,538,892,891 | 74,112,137 | 919,217,273 |
| 1874 | 1,454,180,200 | 80,051,289 | 1,015,530,570 |
| 1875 | 2,032,235,300 | 86,863,178 | 1,030,277,099 |
| 1876 | 1,963,422,100 | 93,920,619 | 935,008,844 |
| 1877 | 2,178,934,646 | 93,150,286 | 1,035,571,078 |
| 1878 | 2,302,254,950 | 100,956,260 | 913,975,920 |
| 1879 | 2,437,482,300 | 102,260,950 | 1,245,127,719 |
| 1880 | 2,718,193,501 | 120,926,286 | 1,361,497,704 |
| 1881 | 2,066,029,570 | 123,388,070 | 1,470,957,200 |
| 1882 | 2,699,394,496 | 126,568,529 | 1,469,693,393 |
| 1883 | 2,629,319,088 | 130,633,556 | 1,280,765,937 |
| 1884 | 2,992,880,000 | 136,292,766 | 1,184,311,520 |
| 1885 | 3,015,439,000 | 135,876,080 | 1,143,146,759 |
| 1886 | 2,842,579,000 | 141,859,656 | 1,162,161,910 |
| 1887 | 2,660,457,000 | 141,821,315 | 1,204,289,370 |
| 1888 | 3,209,742,000 | 146,281,000 | 1,320,255,398 |

Compare the years 1867 and 1887. Twice as many bushels in 1887 as in 1867, and more than twice as many acres cultivated, but the value of the crop is about $80,000,000 less. Comparing three-year periods, we have the following results:

TABLE XI.

| PERIODS. | Total production. | Total area of crops. | Total value of crops. |
|---|---|---|---|
| | *Bushels.* | *Acres.* | *Dollars.* |
| Three years, 1867, 1868, 1869.... | 4,272,130,500 | 201,810,132 | 3,496,422,071 |
| Three years, 1876, 1877, 1878.... | 6,444,611,696 | 288,027,165 | 2,884,555,842 |
| Three years, 1879, 1880, 1881.... | 7,221,705,371 | 346,575,306 | 4,077,582,623 |
| Three years, 1886, 1887, 1888.... | 8,712,778,000 | 429,961,971 | 3,686,706,678 |

Average price per bushel for the first period, 81¾ cents; for the second period, 44¾ cents; for the third period, 56½ cents; for the fourth period, 42¼ cents. (The rise from 1878 to 1881 will be explained farther on.) Taking the period (eleven years) 1867 to 1878, and we have an aggregate production of 20,564,185,887 bushels, worth $11,215,889,853, an average of 54½ cents per bushel. Taking the period of eleven years from 1878 to 1889, we have an aggregate production of 29,573,770,905 bushels, worth $13,756,182,830, an average of 46½ cents per bushel, a general drop of 14⅔ per cent. This refers to all the cereals massed as one crop, and therefore may be deceptive more or less.

Comparisons of particular years show startling results sometimes, but it is not a trustworthy method for general purposes. For example: The average price of corn in 1869 was 75 cents, and for 1889 it was 28 cents, but little over one third as much. The price in 1873 was 39¾ cents, and in 1887 it was 41 cents. But, taking a long period of years together, the general tendency has been downward.

Table XII shows the average values of corn, wheat, and oats for each year from 1869 to 1889.

The Secretary of the Kansas State Board of Agriculture, in his report for the quarter ending March 31, 1890, shows, from a large number of reports from farmers of that State, that the average cost of producing a bushel of corn in Kansas is 21 cents. On the day his report was sent to press the average market price of corn in the State was 15 cents per bushel, and he says that if all of the corn crop of 1889—the largest ever grown in the State—had been sold at the then market price (15 cents a bushel), the aggregate loss on the crop would have been $15,000,000.

TABLE XII.

| Year. | Average value per bushel. | | |
|---|---|---|---|
| | Corn. | Wheat. | Oats. |
| 1869 | $0 75.3 | $0 94.1 | $0 47.6 |
| 1870 | 54.9 | 104.2 | 43.3 |
| 1871 | 48.2 | 125.8 | 40.1 |
| 1872 | 39.8 | 124.0 | 33.6 |
| 1873 | 48.0 | 115.0 | 37.4 |
| 1874 | 64.7 | 94.1 | 52.0 |
| 1875 | 42.0 | 100.0 | 36.5 |
| 1876 | 37.0 | 103.6 | 35.1 |
| 1877 | 35.8 | 108.2 | 29.2 |
| 1878 | 31.8 | 77.7 | 24.6 |
| 1879 | 37.5 | 110.8 | 33.1 |
| 1880 | 39.6 | 95.1 | 36.0 |
| 1881 | 63.6 | 119.3 | 46.4 |
| 1882 | 48.5 | 88.4 | 37.5 |
| 1883 | 42.0 | 91.0 | 32.7 |
| 1884 | 36.0 | 65.0 | 28.0 |
| 1885 | 33.0 | 77.0 | 29.0 |
| 1886 | 36.6 | 68.7 | 29.8 |
| 1887 | 41.4 | 68.1 | 30.4 |
| 1888 | 38.1 | 87.3 | 33.3 |
| 1889 | 28.3 | 69.8 | 22.9 |

The President of the National Farmers' Alliance and Industrial Union, in a public address delivered in Washington city, April, 1891, and which was distributed extensively, made the following statements:

> In 1850 our farmers owned over 70 per cent of the wealth of the country; in 1860 about 50 per cent; in 1880 about 33 per cent; and to-day they own less than 25 per cent, and yet they pay over 80 cents in every dollar that is collected in taxes.
>
> From 1850 to 1860 farm values increased 101 per cent.
>
> From 1860 to 1870 farm values increased 43 per cent.
>
> From 1870 to 1880 farm values increased only 9 per cent.
>
> Notwithstanding this alarming decline in farm values, the aggregate wealth of the country increased 45 per cent from 1870 to 1880, and the agricultural population increased over 29 per cent.

From 1850 to 1860 agriculture led manufacturing 10 per cent in increased value of products; from 1870 to 1880 manufacture led agriculture 27 per cent, showing a difference in favor of manufacturing of 37 ~~per cent~~.

If a farmer had given a mortgage for $1,000 in 1870, he could have paid it with 1,050 bushels of corn. Ten to seventeen years later it would have taken, without interest, 2,702 bushels to have paid it, and so with his other crops. The farmer pays his debts with his labor. His crops cost him as much labor now as in 1870, but he receives only from one fourth to one half as much for them.

It is evident from what has been shown that the progress of agriculture, compared with other industries, has been less and less marked every decennial period since 1860. From 1880 to the present time farming as a business has not advanced. But that is not all. Farmers now need the use of ten dollars for one that was sufficient forty years ago. Then, when little was required, there was enough; now, when much is required, little or none is to be had. Farmers are poor, while manufacturers and bankers and railroad managers are rich. The wealth of the country is fast passing into the hands of a few rich persons, while the number of impoverished grows alarmingly larger every year.

Mr. Thomas G. Shearman states, in *The Forum* for November, 1889, that there are seventy persons in the United States whose average wealth is over $37,500,000, amounting in the aggregate to $2,700,000,000. The wealth of J. J. Astor is estimated at $150,000,000; Gould, Stanford, Rockefeller, and two Vanderbilts are rated at $100,000,000 each; two persons are rated at $70,000,000 each, seven at $40,000,000 each. Then there are four at $35,000,000, thirteen at $30,000,000, ten at $25,000,000, four at $22,500,000, fifteen at $20,000,000, while there are fifty others who are worth $10,000,000 each. He shows that practically one half of the wealth of the United States is owned by less than 250,000 persons. None of them are farmers.

A census enumerator in Harvey County—one of the best counties of Kansas—in 1890 selected for comparison ten average farms in his township, the largest containing 640 acres, the smallest 80 acres. The average value of the farms was $7,000. The average gross proceeds of the farms during the census year (June 1, 1889, to June 1, 1890)—the best crop year Kansas ever had—amounted to $600. The average family, including hired help, on the ten farms was seven persons. It will be seen that the *gross* increase, out of which all expenses had to be paid, was less than 9 per cent of the value of the farms Putting the average expenses for help, for repairs of machinery, and other necessary items at $150, we have $450 left out of which to support a family of seven persons, which is equal to 17⅔ cents a day for each person, and during the same time the people of Kansas were paying 42½ cents a day to keep each of their convicts in the State prison. Besides, taxes, interest, and all other obligations had to be paid out of this farm earning. The average amount of taxes on these farms was not less than $70 each—that is, 3 per cent on one third the value. The interest account amounted to at least $90. That is assuming that one half the farms were mortgaged at 8 per cent on one third of their value, and this, as will be seen further on, is less than an average for the State. Tax $70, interest $90, incidental and necessary expenses $150, gives a total of $310, to be paid out of $600, leaving $290 for the family—11 cents a day to each person.

Similar conditions existed in all parts of the country. Mr. Secretary Rusk, of the Department of Agriculture, in response to a very general demand, sent out a circular letter under date of April 23, 1890. The letter opened as follows: "For months past from all parts of the country there have reached me communications, many of them from large bodies of men, all of them from persons deserving consideration, and all of them deeply in earnest respecting the present condition of agricultural depression. . . . Representative farmers and farmers' associations are constantly calling my attention to their condition, urging the necessity for some measure of relief." On the second page of the secretary's letter he said: "The burden of mortgages upon farms, homes, and lands is unquestionably discouraging in the extreme, and while in some cases no doubt this load may have been too readily assumed, still in the majority of cases the mortgage has been the result of necessity. . . . Those mortgages with which land has been encumbered from the necessities of its owner, drawing high rates of interest, often taxed in addition with a heavy commission, have to-day, in the face of continued depression of the prices of staple products, become very irksome, and in many cases threaten the farmer with loss of home and land. It is a question of grave difficulty to all those who seek to remedy the ills from which our farmers are suffering. At present prices the farmer finds that it takes more of his products to get a dollar wherewith to pay back the dollar which he borrowed than it did when he borrowed it. The interest accumulates, while the payment of the principal seems utterly hopeless, and the very depression which we are discussing makes the renewal of the mortgage most difficult."

That was written April, 1890, by the gentleman at the head of our agricultural interests. One year later the same person, in an article prepared specially to attract the attention of statesmen and thinkers of all classes, said: "To those, I say, whose recollection and experience can compare all these marvelous changes, all this wonderful progress in the farming industry of this country, it would certainly seem, did not actual experience show the case to be otherwise, that the farmer in the United States should to-day be among our most prosperous citizens, and that his advance in material welfare should have been fully equal to that in any other line of life. The fact that this is not so is of itself sufficient to excite surprise, and I may even say to suggest the apprehension to every thinking man that things are not altogether as they should be." —(*North American Review*, April, 1891, page 425.) In order that we may see plainly how a small reduction in price of farm products affects the aggregate of a farmer's profits, let a few facts be submitted. Take the staple products of an average farm:

| | |
|---|---|
| Wheat—25 acres, 375 bushels at 75 cts | $281 25 |
| Corn—45 acres, 1,350 bushels at 25 cts | 337 50 |
| Oats—10 acres, 350 bushels at 20 cts | 70 00 |
| Potatoes—1 acre, 150 bushels at 50 cts | 75 00 |
| Hay—25 acres, 37½ tons at $8 | 300 00 |
| Cattle—5 head at $40 | 200 00 |
| Hogs—20 head at $12 50 | 250 00 |
| Total | $1,513 00 |

*Cost of Production.*

| | |
|---|---|
| Wheat, 50 cts. per bushel | $187 50 |
| Corn, 20 cts. per bushel | 270 00 |
| Oats, 15 cts. per bushel | 52 50 |
| Potatoes, 40 cts. per bushel | 60 00 |
| Hay, $5 per ton | 187 50 |
| Cattle, $30 per head | 150 00 |
| Hogs, $10 per head | 200 00 |
| Total cost | $1,107 50 |

| *Retained for Home Use.* | | *Surplus.* |
|---|---|---|
| Wheat, 62½ bushels | leaves | 312½ |
| Corn, 500 bushels | " | 850 |
| Oats, 120 bushels | " | 230 |
| Potatoes, 60 bushels | " | 90 |
| Hay, 10 tons | " | 27½ |
| Cattle, 1 head | " | 3 |
| Hogs, 10 head | " | 10 |

*Surplus Sold.*

| | |
|---|---|
| Wheat, 312½ bushels at 75 cts. | $234 37½ |
| Corn, 850 bushels at 25 cts. | 212 50 |
| Oats, 230 bushels at 20 cts. | 46 00 |
| Potatoes, 90 bushels at 50 cts. | 45 00 |
| Hay, 27½ tons at $8 | 220 00 |
| Cattle, 3 head at $40 | 120 00 |
| Hogs, 10 head at $12 50 | 125 00 |
| Total price of surplus | $1,002 87½ |

*Cost of Surplus.*

| | |
|---|---|
| Wheat, 312½ bushels at 50 cts. | $156 25 |
| Corn, 850 bushels at 20 cts. | 170 00 |
| Oats, 230 bushels at 12½ cts. | 28 75 |
| Potatoes, 90 bushels at 40 cts. | 36 00 |
| Hay, 27½ tons at $5 | 137 50 |
| Cattle, 3 head at $30 | 90 00 |
| Hogs, 10 head at $7 50 | 75 00 |
| Total cost of surplus | $693 50 |

| | |
|---|---|
| Value of surplus | $1,002 87½ |
| Cost of surplus | 693 50 |
| Profit on crops | $309 37½ |

A fall of 10 per cent in the value of farm products would be equivalent to 49 per cent of the profit on a farm like this:

Total value of crop, $1,513.75. Ten per cent on that is $151.37½, which is 49 per cent of $309.37½—the total profit.

It is out of the profit on the surplus that the farmer must pay his debts, and a very small drop in prices affects his profits largely, as the above figures show.

# CHAPTER III.

## THE MORTGAGE BURDEN.

But the most lamentable features of the farmers' condition are the incumbrances on their homes and the rapid depreciation of farm values. Mr. J. R. Elliott, in his excellent work entitled American Farms, presents some interesting facts along this line. He shows that property of New England farmers fell in value from $707,942,439 in 1870 to $671,846,058 in 1880. In forty-five agricultural towns in Connecticut the decrease of wealth in the eleven years 1865-'76 amounted to $1,893,172; between 1876 and 1886 the decrease ran up to $2,741,520. Out of 603 farmers interviewed, 378 show a yearly loss. The same author—and he appears to be exceptionally well informed—gives it as his opinion that at least 33⅓ per cent of New England farms are mortgaged. In Connecticut, out of 603 farms recently visited by an investigating committee, 241, or 40 per cent, valued at $1,008,350, were mortgaged to the extent of $451,109. Not only are New England farms mortgaged, but many of them have been abandoned by their owners. The Commissioner of Agriculture of Vermont, in 1889, reported a wide-spread desertion of farm lands of that State. The edition of his report was soon exhausted, and the demand for further information on the same subject was so great that he issued a supplementary report, describing many farms which had been abandoned and others which could be purchased at nominal prices. After citing many descriptions, the report concludes:

> From the foregoing there appears to be no doubt about there being in this State large tracts of tillable, unoccupied lands, which can be bought at a price approximating the price of Western lands, situated near school and church, and not far from railroad facilities. The commissioner has not visited all of the counties in the State where these lands are reported, but he has visited enough to satisfy him that, while much of the unoccupied and formerly cultivated land is now practically worthless for cultivation, yet very much of it can be made to yield a liberal reward to intelligent labor. A good portion (of these lands) is especially adapted to dairy purposes.

Under date of January 1, 1890, the Commissioner of Agriculture and Immigration of the State of New Hampshire issued a pamphlet of one hundred and three pages, under the title "Secure a Home in New Hampshire." Sixty-seven pages of the book are devoted wholly to descriptions of farms for sale at very low figures; ten pages introduction are given, summarizing the subject matter; the other twenty-six pages form a directory of Summer Hotels and Boarding-Houses in the State. The commissioner, on page 9, says: "There have been reported to us by the selectmen of the various towns 1,442 vacant farms with tenantable buildings." These are the farms described in the book. They were vacated recently.

The *New England Farmer*, an old and reliable farm paper, early in 1890 contained the following editorial, referring to a trip of Mr. Secretary Sessions, of the Board of Agriculture, through the hills of Berkshire County: "The story he tells of deserted farms growing up to brush is a sad one. In driving across the town of Tolland, which is not much over five miles in width, he passed twenty-three abandoned farms rapidly growing up to pines. In Southwick and Agawam are thousands of acres, once largely devoted to raising corn for stage-horses and rye for distilleries, which are now entirely wood or scrub bushes. In West Granville the pastures are rapidly growing up to brush. In Otis agriculture is at a low ebb; the people seem to have lost all ambition and hope. Three quarters of what was once mowing and pasture land is now brush and wood, and there is one tract of between 4,000 and 5,000 acres, which was once the home of a considerable and prosperous farming population, on which now there are only three families, and these are French Canadians."

The enumeration of inhabitants by the United States Census Bureau in 1890 shows that the population of the "hill towns" of Massachusetts was less then than it was a hundred years before.

In 1888 the State agents for New York reported depreciation in the value of farm lands in that State during the last preceding ten years to have been at least 33 per cent. A large number of farms had been mortgaged some years before to pay deferred notes for purchase money, and they would not then sell for enough to pay the debts. On the 24th day of March, 1890, State assessors reported:

> There continues to be marked depreciation in the value of farm lands in nearly every county, and the depression among the farmers continues, while the prospect for improvement is not good. Many assert that, after paying expenses, they can not realize from their farms sufficient to pay the interest on mortgages, and consequently thousands of farms are falling into the hands of mortgagees.

On the 5th day of April, 1890, the following dispatch was published in the daily papers:

> *May's Landing, N. J., April* 4.—The misfortune which has come upon the farmers of the town of Germania causes intense excitement all over southern New Jersey. Over forty families are now homeless. Sheriff Johnson, of Atlantic County, has sold within the last two days two hundred farms to satisfy mortgages which had been foreclosed.

Similar reports went out from other States. The country seems to be under mortgage.

> Boston numbers more than fifty agencies of farm-mortgage companies. It is computed that Philadelphia alone negotiates yearly more than $15,000,000 on Western loans. Kansas and Nebraska have one hundred and thirty-four incorporated mortgage companies. The companies organized under the laws of other States but operating in these two States increase the number at least two hundred. In this reckoning no account is taken of firms and individuals, although a large amount of money is directly invested by lenders of this class.—W. F. MAPPIN, in Political Science Quarterly, September, 1889.

Prof. Gleed, in *The Forum* for March, 1890, says:

> It is impossible to say how much has been invested in the West in real-estate securities, but the amount is enormous. Five mortgage companies at Topeka, Kansas, report that the loans made by them, and still outstanding, amount to $22,000,000. Of this sum 90 per cent has been invested in Kansas. Five companies at Kansas City report $68,000,000 outstanding. This amount has been placed in a dozen Western States.

The Topeka *Daily Capital*, on the 31st day of August, 1890, published reports from forty-three counties of Kansas showing the number of farms sold under mortgage-foreclosure proceedings in the respective counties during the first half of the year. The reports were made by county officers from the court records, and showed an average of twenty-five sales in each county. At that rate for the whole State, as the editor showed, the whole number of farms sold in Kansas by the sheriff during the first six months of 1890 was 2,650, or for the whole year 5,300.

In the Southern States the farm indebtedness is not as large as it is in the West. The census reports thus far published indicate that there are not as many real-estate mortgages in that section as are found in other parts of the country. In Alabama, for example, the average mortgage indebtedness is put at $26 to the head of population, while in Iowa it is $104.

The census report for 1890 will show an alarming condition of things among the farmers, and it is no better in towns and cities. Every county in the United States was visited by an agent of the Census Bureau and the mortgage records carefully examined, but at the time of this writing (June 1, 1890) only two States, Alabama and Iowa, have been reported by the Superintendent. This work is in charge of Messrs. George K. Holmes and John S. Lord, careful, competent, and conscientious men, to whom and to their able assistants the writer hereof is indebted for many courtesies and much valuable information. Mr. Superintendent Porter kindly extended every possible facility for obtaining information relating to mortgage statistics as far as they have been tabulated. He and his subordinate officers are deeply impressed with the importance of this department of the census work. Although but two States are yet fully reported, enough matter is published in that report to show that the aggregate indebtedness of the people for which their homes are held as security is enormous. As introductory to the first bulletin relating to mortgages on farms and homes, Extra Census Bulletin, No. 3, under date April 22, 1891, Mr. Porter says:

> At the present writing it is impossible to estimate the full benefits which will be derived from such an investigation. The employment of a small army of 2,500 special agents and clerks to make an abstract of every mortgage placed on record in every county in the United States for the last ten years has attracted attention to the dangers of these incumbrances, to the enormous burdens in the way of interest, to the alarming extent to which usury is practiced, and to the defectiveness of these records in all parts of the country. The

agents of the Census Office have, as a matter of fact, overhauled the records in every State and Territory. They have traveled on horseback and on foot through the most sparsely settled districts of our vast domain in search of mortgages, and have done their work so industriously and so thoroughly that we now have on file in Washington as a result of their labor the abstracts of about 9,000,000 mortgages. Some months before the inquiry was begun Congress, and through Congress the public, was put in possession of the scope of the plan adopted. That plan, with hardly any change, has been successfully carried out. It comprised two distinct methods, one having the local records for the basis of operation, the other the population schedule, and hence the individual. As will be seen from the accompanying preliminary report for the States of Alabama and Iowa, the first plan makes it possible to determine with reasonable accuracy the amount of existing debt January 1, 1890, the rate of interest, and the motive of the loan, whether for purchase money improvement, or other purposes. The second plan will show the number of persons by counties in the United States who own their farms and their homes free from debt and the number having incumbrances thereon, the amount of such indebtedness, the value of such farms, and other facts of minor importance. These two inquiries combined will throw light upon the whole question of mortgage indebtedness, and will form a basis for subsequent investigations that will probably yield more exact and satisfactory results.

Concerning the scope of the work, Messrs. Holmes and Lord say:

Except in several counties in which special investigations were conducted, to be mentioned more especially further on, the public real-estate records have supplied the facts. While one of the objects has been to establish the amount of indebtedness in force January 1, 1890, other objects of perhaps equal importance have been entertained, with the purpose of showing the number and amount of mortgages made during each of the ten years 1880–'89, the rates of interest borne by them, and the distribution of these mortgages between village and city real estate on the one hand and real estate outside of villages and cities on the other. If no attempt further than this had been made, still the results would throw much light upon the mortgage question.

This first mortgage bulletin, while showing the scope of the investigation and the obstacles which had to be overcome, relates specially to two States—Alabama and Iowa. It appears that the indebtedness placed upon record during the ten years 1880 to 1889 in Alabama, was $91,099,623. In Iowa the amount of mortgage indebtedness placed on record during the ten years was $431,288,542. The total real-estate-mortgage debt in Alabama in force January 1, 1890, was $39,027,983, of which $28,762,387 is on farm lands. The total real-estate-mortgage debt in Iowa in force January 1, 1890, was $199,034,957, of which $148,814,646 is on farms. The average amount of debt to the head of population in Alabama was $26; in Iowa, $104. The number of acres put under mortgage during the year 1889 in Alabama was 1,744,420, more than 5 per cent of all the land in the State. In Iowa the number of acres put under mortgage during the year 1889 was 3,240,432, a little over 9 per cent of all the land in the State. At these rates every year, an area equal to the whole State of Alabama would be mortgaged in nineteen years, and Iowa would be covered in less than eleven years. The average length of time for which Alabama lands are mortgaged is about three years; in Iowa it is about five years.

While Bulletin No. 3 is intended specially to cover but two States, it contains much matter of a general nature, and one of its tables presents information showing the mortgage indebtedness on lands in certain counties of twenty-six States. The records of these counties were examined with special care, and the results are given in this table:

TABLE XIII.—*Showing amount of existing debt, January 1, 1890.**

| STATES AND COUNTIES. | Amount unpaid, January 1, 1890. |
|---|---|
| ALABAMA: | |
| Greene | $159,831 |
| Jefferson | 14,792,189 |
| ARKANSAS: | |
| Lee | 383,657 |
| Pulaski | 2,282,226 |
| Saint Francis | 236,552 |
| COLORADO: | |
| El Paso | 2,885,766 |
| GEORGIA: | |
| Bartow | 220,365 |
| Houston | 250,462 |
| Twiggs | 115,209 |
| ILLINOIS: | |
| Bureau | 4,776,173 |
| Jasper | 498,121 |
| Morgan | 2,663,613 |
| INDIANA: | |
| Crawford | 116,953 |
| Hendricks | 742,713 |
| IOWA: | |
| Cass | $2,463,243 |
| Crawford | 2,584,099 |
| Delaware | 1,636,109 |
| Johnson | 1,769,666 |
| KANSAS: | |
| Decatur | 938,538 |
| Jefferson | 1,317,029 |
| Lincoln | 1,560,199 |
| Pawnee | 1,525,110 |
| KENTUCKY: | |
| Anderson | 136,262 |
| Clark | 539,434 |
| McCracken | 495,852 |
| LOUSIANA: | |
| Caddo | 940,863 |
| East Baton Rouge | 366,247 |
| MARYLAND: | |
| Washington | 2,538,979 |
| MICHIGAN: | |
| Ionia | 2,745,296 |
| Hillsdale | 2,813,971 |
| Marquette | 1,743,544 |

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* Under date July 29, 1891, some curious facts are published in an Associated Press dispatch as coming directly from Mr. Porter, Superintendent of the Census. It gives the number of mortgaged homes in the country as about 2,500,000, or 28 per cent of the total number recorded during the ten years following 1880. The farm mortgages are about two thirds of the whole number on record. That shows about 1,666,000 mortgages on farms, in force and unsatisfied. on the 1st day of January, 1890. The whole number of farms in the United States is about 5,000,000, of which number about one third are occupied by renters, leaving two thirds or about 3,333,000 mortgaged farms occupied by *owners.* This, as the reader sees, is but a trifle over two farms to one mortgage. In other words, about one half of the American farms which are occupied by their owners are mortgaged. And it appears, as Mr. Porter says, the average farm mortgage in Iowa is $1,283. At that for all, the farm-mortgage indebtedness of the country—only those farms which are occupied by their *owners*—is but little short of $2,200,000,000. The number of renters has greatly increased on farms, and much more in towns and cities.

TABLE XIII (*Continued*).

| STATES AND COUNTIES. | Amount unpaid, January 1, 1890. |
|---|---|
| **MINNESOTA:** | |
| Clay | $1,029,761 |
| Stearns | 1,752,775 |
| **MISSISSIPPI:** | |
| Yazoo | 849,544 |
| **MISSOURI:** | |
| Adair | 762,319 |
| Bollinger | 116,011 |
| Mercer | 720,640 |
| **MONTANA:** | |
| Custer | 194,908 |
| Lewis and Clarke | 1,738,763 |
| **NEBRASKA:** | |
| Brown | 435,732 |
| Hayes | 546,729 |
| Kimball | 32,083 |
| Thayer | 1,233,105 |
| Washington | 1,131,550 |
| **NORTH CAROLINA:** | |
| Forsyth | 498,426 |
| Halifax | 576,238 |
| **NORTH DAKOTA:** | |
| Burleigh | 510,981 |
| Ramsey | 894,972 |
| **OHIO:** | |
| Madison | $1,864,722 |
| Union | 1,330,777 |
| **SOUTH CAROLINA:** | |
| Anderson | 633,728 |
| Colleton | 517,324 |
| Laurens | 435,944 |
| **TENNESSEE:** | |
| McNairy | 47,395 |
| Maury | 738,328 |
| **TEXAS:** | |
| Bell | 1,249,655 |
| Harrison | 217,980 |
| Tarrant | 3,468,552 |
| **VIRGINIA:** | |
| Louisa | 290,238 |
| **WEST VIRGINIA:** | |
| Kanawha | 1,388,594 |
| **WISCONSIN:** | |
| Douglas | 3,334,027 |

Summarized, then, the situation is this: Farmers are passing through the "valley and shadow of death"; farming as a business is profitless; values of farm products have fallen 50 per cent since the great war, and farm values have depreciated 25 to 50 per cent during the last ten years; farmers are overwhelmed with debts secured by mortgages on their homes, unable in many instances to pay even the interest as it falls due, and unable to renew the loans because securities are weakening by reason of the general depression; many farmers are losing their homes under this dreadful blight, and the mortgage mill still grinds. We are in the hands of a merciless power; the people's homes are at stake.

# CHAPTER IV.

## LABOR THE GREAT PROBLEM.

### THE WAGE WORKER.

THE great problem of life is to live. To 95 per cent of men and women born into the world the struggle to live is continuous from the cradle to the grave. The first effort of the new-born babe is for breath—*to live;* its first cry is for food—*to live*, and after that, on, on, on, as the minutes, the hours, the days and weeks and months and years come and go, the fight for life continues. From the beginning to the end it is one ceaseless effort to obtain what we have not, one long season of dread lest we perish from want. Starving, starving, starving, all along the way; an endless, unsatisfied hungering and thirsting for something to feed upon, something to sustain the body and the soul. The first thing and the last thing to move us is to live. And this everywhere. Effort, striving, labor, is the common lot of man, and that continually. What affects labor, therefore, concerns all mankind.

Labor may be divided into two great departments—one employed in producing property, the other in handling it. The former is represented by farmers, farm laborers, mechanics, artisans, builders, day laborers, miners, etc.; the latter, by merchants and their assistants, traders generally, carriers, innkeepers, ferrymen, etc. Let this distinction be kept in mind, for much depends upon it. The producers are vitally interested in the market value of the articles which they produce, because on that depends the rate of their profit. Whatever affects values of commodities affects them. The non-producer, the mere handler of property, is not interested in its value, because his profit does not depend on that. He is quite as busy, he works quite as hard as his neighbor, the producer, and he receives more pay, probably—more regular pay, certainly; but he produces nothing, and therefore receives his profits, whatever they are, in handling things which other persons have raised or fashioned.

Producers may, in turn, be divided into two classes, as they have or have not a voice in the immediate disposition of their products. The farmer, for example, raises corn and disposes of it in his own way, while the machinist or factory operative makes wheels or yarn, but has nothing to do with the marketing of them. Both classes, however, as things now are, have so little control over either prices of commodities or profits on sales that they are practically powerless to determine the rate of their compensation or its amount, and yet, of all men, they are the only ones who are primarily interested in values. It is for this reason that business may be brisk and the country appear prosperous when the producers are not advancing. Of the 17,392,099 persons over ten years of age in the working force of the country in 1880, a little more than two thirds—12,007,605—were producers. Nearly one third of the working people are engaged wholly in handling what the other two thirds make. Besides this one third of the working force, there is a large number of unclassified persons, belonging to the non-producing side of the line, and not included among workers—persons of leisure, many women, persons without visible employment, paupers, prisoners, infirm persons, etc. It is fair to put the number of actual producers at one half the number of persons capable of labor, and this one half is particularly interested in the *selling price* of property, because their profits depend upon it. Non-producers may be doing a good business, while producers are left without gains.

A change of 5 per cent in a man's wages does not look large in the eye of his employer, who handles millions of dollars; but it is a mountain removed from the toiler's way, or it is a mountain thrust in his path, according to the object of the change, whether it be to increase or diminish his profits. And the reason of it is that all debts, all interest, all outside expenses, must be paid out of *savings*—what is left after paying necessary cost of living. To illustrate: Say a worker earns one dollar a day three hundred days in a year, and is able to save $20 out of his wages A reduction of 5 per cent on his wages is equivalent to taking away from him 75 per cent of his savings.

| | | |
|---|---|---|
| 300 days @ $1 | | $300 |
| 5 per cent reduction | $15 | |
| Saving | 20 | |

5 per cent of total wages = 75 per cent of saving.

This simple illustration shows that the matter of profits on labor is vital with the wage worker. He must be clothed and housed and fed—he and his family—and the expense, whatever it be, must come out of his wages. Whatever is left after defraying these necessary expenses is profit or saving, and it is out of this saving that he pays for his home or for extra comforts. If all his wages are required to subsist himself and family, he has nothing left with which to meet any other obligation. If his wages be $300, his necessary expenses $280, and his profit or saving $20, it is upon the $20 and not upon the $300 that he relies to pay the installments on his home. This little yearly fund of $20 is his only resource after paying for his living. This little margin of profit is his all. How important that it be not unnecessarily diminished!

It is not difficult to understand that where a thousand or more hands are employed in a large establishment and profit margins on the product are small, the employer must calculate closely on the daily wage of the workers. Where the product is cotton cloth, for example, and a small fraction of a cent is the mill's net profit on a single yard, wages must be carefully regulated when the contract is made. This, however, does not mean that the worker has no interest in the profits made by the mill on the aggregate work of all the hands. It means only that we have come to where a thousand persons are largely at the mercy of one person who has wealth enough to drive the thousand out of their own shops into his, to compel them to surrender their individuality to the power of money, and to merge their being into that of a machine. Labor and capital are partners; they ought to be so considered, and if a thousand men's labor is required to make one person rich, a large measure of the net profits, after paying the men their regular wages, belongs to them. There ought to be enough left to make the men rich also—rich according to the measure of a poor man's ambition. They performed nearly all the work and are entitled to the greater part of the aggregate net profits which come from putting together the many little profits on units. Money produces nothing; labor produces all that is produced. Put it this way: Say the worker is paid $300 for his year's work, and he saves 6 per cent of that—$18. Say the employer has $500,000 invested in the business. He invests his money; the men invest their labor. One is as important as the other. After all necessary expenses are paid, the men are as much entitled to the profits as he is. Together they are entitled to all of it. Just what ought to be the basis of division is a matter to be determined hereafter. To give the employer all the profits is to make slaves of the men, and we have about got through with slavery in this country. If capitalists are not satisfied with this forecast let them scatter their money to the four winds of heaven; let the large establishments melt away, and men and women will open up their little shops again. But nobody wants that. All we demand is a just measure of the profits realized over our labor in connection with capital.

## LABOR AND CAPITAL COMPARED—INTEREST.

It is apparent that every year the number of home *owners* grows comparatively less, and that the number of renters is constantly increasing. Homes of the common people are fast being absorbed by wealthy persons, and in the same proportion our workers are becoming wage workers. We are steadily becoming a nation of hired men. It is time to recall the statement which no one disputes, but which most large employers ignore, "the workman is worthy of his hire." And "hire" means a fair, just, equitable reward for his toil. If he does all the work, surely he is entitled to a large share of the profits.

To value a machine higher than a man or a woman because it can work cheaper, is to place money above muscle, and to place money and labor in competition is to perpetuate the rule of caste. Put a man's labor against the use of money at interest and labor loses all the time. This accounts for the rapid accumulation of wealth by persons who lend money at interest, rent houses and lands, or employ men and women at wages which allow them no profit. Selecting a suggestion from Mr. Kellogg's "Labor and Capital": "Two mechanics, just come of age, are desirous of accumulating large fortunes. They are good workmen, and each is able to earn a dollar a day over and above his expenses. Every six months they loan the money thus earned at 7 per cent interest, the interest payable half-yearly. They set their affections upon being rich, and therefore do not burden themselves with a house and family. These men earn an average of a dollar a day besides their expenses three hundred days in each year, during forty years and four months. Their age is then sixty-one years and four months. Each earns by labor $300 per year for forty years, or, for the whole period, $12,100—together $24,200. The interest on their earnings loaned half-yearly for a period of forty years and four months accumulates an amount which will be seen by reference to the following table. Interest at 7 per cent per annum, paid and reloaned half-yearly, accumulates a sum equal to the principal in ten years and one month:

TABLE.—*Interest at 7 per cent on $300.*

| | |
|---|---|
| 1st half-year they earn by their labor | $300 00 |
| 6 months' interest at 7 per cent | 10 50 |
| | 310 50 |
| 2d half-year's labor | 300 00 |
| | 610 50 |
| 6 months' interest | 21 37 |
| | 631 87 |
| 3d half-year's labor | 300 00 |
| | 931 87 |
| 6 months' interest | 32 61 |
| | 964 48 |
| 4th half-year's labor | 300 00 |
| | 1,264 48 |
| 6 months' interest | 44 26 |
| | 1,308 74 |
| 5th half-year's labor | 300 00 |
| | 1,608 74 |
| 6 months' interest | 56 30 |
| | 1,665 04 |
| 6th half-year's labor | 300 00 |
| | 1,965 04 |
| Amount brought up | $1,965 04 |
| 6 months' interest | 68 78 |
| | 2,033 82 |
| 7th half-year's labor | 300 00 |
| | 2,333 82 |
| 6 months' interest | 81 68 |
| | 2,415 50 |
| 8th half-year's labor | 300 00 |
| | 2,715 50 |
| 6 months' interest | 95 04 |
| | 2,810 54 |
| 9th half-year's labor | 300 00 |
| | 3,110 54 |
| 6 months' interest | 108 87 |
| | 3,219 41 |
| 10th half-year's labor | 300 00 |
| | 3,519 41 |
| 6 months' interest | 123 18 |
| | 3,642 59 |
| 11th half-year's labor | 300 00 |
| | 3,942 59 |
| 6 months' interest | 137 99 |
| | 4,080 58 |

| | |
|---|---|
| Amount brought up...... | $4,080 58 |
| 12th half-year's labor ....... | 300 00 |
| | 4,380 58 |
| 6 months' interest .......... | 153 32 |
| | 4,533 90 |
| 13th half-year's labor ....... | 300 00 |
| | 4,833 90 |
| 6 months' interest .......... | 169 18 |
| | 5,003 08 |
| 14th half-year's labor ....... | 300 00 |
| | 5,303 08 |
| 6 months' interest .......... | 185 61 |
| | 5,488 69 |
| 15th half-year's labor ....... | 300 00 |
| | 5,788 69 |
| 6 months' interest .......... | 202 60 |
| | 5,991 29 |
| 16th half-year's labor ....... | 300 00 |
| | 6,291 29 |
| 6 months' interest .......... | 220 20 |

| | |
|---|---|
| Amount brought up...... | $6,511 49 |
| 17th half-year's labor ....... | 300 00 |
| | 6,811 49 |
| 6 months' interest .......... | 238 40 |
| | 7,049 89 |
| 18th half-year's labor ....... | 300 00 |
| | 7,349 89 |
| 6 months' interest .......... | 257 25 |
| | 7,607 14 |
| 19th half-year's labor ....... | 300 00 |
| | 7,907 14 |
| 6 months' interest .......... | 276 75 |
| | 8,183 89 |
| 20th half-year's labor ....... | 300 00 |
| | 8,483 89 |
| 6 months' interest .......... | 49 49 |
| | 8,533 38 |
| Add 1 month's labor........ | 50 00 |
| | $8,583 38 |

| | |
|---|---|
| In the 1st 10 years and 1 month the two men earn by their labor... | $6,050 00 |
| Interest thereon during this period .............. | 2,533 38 |
| | 8,583 38 |
| In the 2d 10 years and 1 month the interest on this sum equals the principal.............. | 8,583 38 |
| | 17,166 76 |
| 2d 10 years and 1 month's labor, and interest thereon............ | 8,583 38 |
| | 25,750 14 |
| 3d " " interest .............. | 25,750 14 |
| | 51,500 28 |
| 3d " " labor, and interest thereon............ | 8,583 38 |
| | 60,083 66 |
| 4th " " interest .............. | 60,083 66 |
| | 120,167 32 |
| 4th " " labor, and interest thereon............ | 8,583 38 |
| | 128,750 70 |
| In 40 years and 4 months the men earn by their labor............ | 24,200 00 |
| Remainder accumulated by interest .............. | $104,550 70 |

The amount earned by labor of the two men is $24,200; the amount accumulated by interest is $104,550.70. In other words, interest at 7 per cent, compounded half-yearly, beats labor in forty years and four months $80,350.70 on a capital of $300 a year.

Suppose the two men to live twenty years and two months longer—that is, to the age of eighty-one years and six months—and continue to loan their money. During this period it would double twice.

| | | |
|---|---|---|
| Thus | $128,750 | 70 |
| 10 years and 1 month's interest | 128,750 | 70 |
| | 257,501 | 40 |
| 2d 10 years and 1 month's interest | 257,501 | 40 |
| Total accumulation in 60 years and 6 months | 515,002 | 80 |
| The two men do not labor during the last 20 years and 2 months, and expend for their living during that period | 15,002 | 80 |
| | 500,000 | 00 |
| In 40 years and 4 months they earn by their labor $24,000, and live 20 years and 2 months on their money without labor. | | |
| Subtract money earned by labor | 24,200 | 00 |
| Remainder accumulated by interest on $24,200 | $475,800 | 00 |

Every dollar of the $475,800 is earned by the labor of others and given to the two men as the legal interest upon $24,200.

This table makes it plain that while the laborer himself can accumulate little by means of his own unaided efforts, his employer grows richer the more men he has at work, because he makes a profit on the labor of every one of them. It is this margin of profit on the workman's toil that makes the wealth of the man he works for.

In many respects the same facts which apply to changes that have taken place in the condition of farmers apply to mechanics and to wage workers. Going back half a century, those of us who have lived that long remember distinctly that in every rural neighborhood the principal lines of mechanical work were represented by persons generally owning their own shops and dwellings. The wagon-maker, the blacksmith, the carpenter, the shoemaker, the tailor, the bricklayer, the stone-mason—all scattered about among the farmers. Now nothing of that kind is seen in the travel of a month over the country, but, instead thereof, in the cities we find mechanics of every grade massed in large numbers, where each one works separately at a particular part of the machine which he is making. In a wagon factory, for example, one man turns hubs, another bores the center opening, another mortises them, another is making spokes, another standards, another axles, another single-trees, and so on through all of the wood work. In the iron department one person cuts bars into proper lengths, another punches holes at the proper places; one is cutting rods, another is running threads on them, another making nuts, another heading bolts, and so on to the end. In a pile of a thousand or five thousand of these separate pieces any one of them will fit in its proper place in any one of the wagons made at that establishment. So it is in the shoe factory; so it is in every place where the finished product is made up of separate pieces. These people, from 500 to 3,500 at a place, go to their work at the blowing of a whistle or the ringing of a bell; they go to their meals and return by the same signs at stated times every working day. They are practically as much machines as the unconscious mechanical combinations to which they attend. By this process of absorption in large manufacturing establishments the individuality of the separate workers is virtually lost. The man who was once an individual citizen among the farmers is now part of a great manufacturing establishment in the city, doing his work with the same precision, the same regularity, the same method that an inanimate implement does. One of the necessary results of this change is that the mechanic and the wage worker have become largely dependent upon the business of his employer. If that fails from any cause the workers are temporarily out of employment. If any difference arises between the employer and the employés concerning their compensation, or concerning any other matter in which they are all interested, the employer has the advantage. In dull times, when work is scarce, the tendency is to reduce wages, which naturally affects the tempers as well as the pockets of the workers. These and other related circumstances breed a relation between the owner and the workers at the factory which in times of great excitement give to the employer a practical ownership of his work-people. When an economic question, in political discussions, is held up before the people as involving the rights of labor, and particularly in respect to their wages, it is a logical effect of the conditions that the workers should be appealed to to stand by the employer, because it is said whatever is to the interest of the employer will be to the interest of the employé, on the supposition that a good business for the owner of the factory will make more work and better wages for the men and women who do the work. In this way the manufacturer in charge of a large establishment wields a powerful influence over the persons in his employ. Aside from all this, it has been the rule ever since the relation of employer and employé was first established that the interest of the employer is for himself and not for his workman; that while he admits that the workman is worthy of his hire, yet he believes it to be his privilege to obtain labor at the lowest price. Labor has always been a commodity in the market for which employers bid just as dealers at an auction of dry goods—every one anxious to get what he desires at the lowest possible figure. So it is that work-people in all communities are nearly always within a few days, or at most a few weeks, of starvation; and it is probably because of this great and crushing fact that working men and women have united in organizations for their mutual protection. It has been the experience of American working people that, very soon after their absorption into large establishments became a fixed fact, at the first indications of discontent on account of the wages they were receiving, their employers at once looked about for foreign labor to take the place of that of citizens. This sort of thing began as far back as 1858. Then came on the great war, and in 1864 Congress was asked to authorize citizens of the United States to go into foreign countries and there employ work people and bring them to this country, holding a lien upon their wages and upon their homes, if they should obtain any, for the amount of money advanced in their importation. Such an act was passed July 4, 1864, but the people knew nothing of it until conditions afterward brought it out in public discussions of a bill to prohibit the importation of labor under contract. It was because of the effect of that act, largely, that Knights of Labor were organized about the year 1870. In 1877 came the great railroad strike, when millions of dollars' worth of property was destroyed in the city of Pittsburg. Strikes then followed in rapid succession, until at one time it was feared that striking of laboring people was going to be a mania. It has been discovered, however, that while these strikes have set on foot an extended investigation of the complaints of our working people, and their rights as citizens of the republic, their condition, compared with that of those who really control social and political affairs, is no better than it was at the beginning of the century. The employer still has the advantage, and he has it with practical completeness. He imports labor at his option, and he hires armed ruffians to stand guard at the gate while he drives out the citizen and escorts the alien in. The tendency is to concentrate still more and more in large establishments. By reference to the census reports of 1850, 1860, 1870, 1880, and 1890, it will be seen that while the number of manufacturing establishments has increased, there has been a gradual absorption of smaller ones into the larger; that, while more persons are employed in them, the number in each one has been greatly increased; that, while the amount of wages in the aggregate paid to employés has increased, compared with the amount of work that they do their wages is not as great now as it was at any former period. Besides that, it appears that every year the individuality of the working man is growing less and less distinct; he is becoming merged into the business of his employer; practically he is out of view. While he produces wealth in enormous amounts, it is found that his share of it, from some cause or other, is growing less and less relatively as the years come and go, while his employer grows richer and his influence in social and political affairs continually increases. Not only does the rich man to-day rule at home among his neighbors, but he rules in our national affairs. Money controls our legislation, it colors our judicial decisions, it manipulates parties, it controls policies. Manufacturers, bankers, railroad builders, and other capitalists dictated our present financial methods, and to-day their combined opposition is strong enough to defeat any measure proposing a change. It is that power which defeated the free-coinage bills that were proposed in the Fifty-first Congress; it is that power which defeats the reduction of excessive tariff duties; it is that power which holds within the hollow of its hand all the financial interests of the people. Wall Street is king. All of this makes the condition of the wage worker more and more dependent every year. He is beginning to see that the same influences which have brought bankruptcy to the farmer's door is taking away from him his home and preventing his neighbor from securing one. It is a fact, which most of the people who are not wage workers themselves have not yet learned, that it is more difficult now for a poor man to obtain a home than it has been at any time within the reach of memory. The writer hereof has heard many mechanics within the last two years state that their condition is growing worse and worse continually. He knows personally that many of them are wholly unable to meet obligations contracted in the purchase of their homes. Many homes have been sold from that class of people, because, from some reason inexplicable to them, they are growing less and less able every year to meet demands made upon them in this direction. The farmer and the wage worker are traveling the same road; they are both brought face to face with a perilous condition; they are both confronted with a merciles apower which has brought disaster upon them both alike.

# PART II.

## *HOW WE GOT HERE.*

## CHAPTER I.

### CHANGED CONDITION OF THE FARMER.

THE American farmer of to-day is altogether a different sort of a man from his ancestor fifty or a hundred years ago. A great many men and women now living remember when farmers were largely manufacturers; that is to say, they made a great many implements for their own use. Every farmer had an assortment of tools with which he made wooden implements, as forks and rakes, handles for his hoes and plows, spokes for his wagon, and various other implements made wholly out of wood. Then the farmer produced flax and hemp and wool and cotton. These fibers were prepared upon the farm; they were spun into yarn, woven into cloth, made into garments, and worn at home. Every farm had upon it a little shop for wood and iron work, and in the dwelling were cards and looms; carpets were woven, bed-clothing of different sorts was prepared; upon every farm geese were kept, their feathers used for supplying the home demand with beds and pillows, the surplus being disposed of at the nearest market town. During the winter season wheat and flour and corn meal were carried in large wagons drawn by teams of six to eight horses a hundred or two hundred miles to market, and traded for farm supplies for the next year—groceries and dry goods. Besides this, mec were scattered among the farmers. The farm wag in process of building a year or two; the mater found near the shop; the character of the timbe used was stated in the contract; it had to be procur a certain season and kept in the drying process a len of time specified, so that when the material was brought together in proper form and the wagon made, both parties to the contract knew where every stick of it came from, and how long it had been in seasoning. During winter time the neighborhood carpenter prepared sashes and blinds and doors and molding and cornices for the next season's building. When the frosts of autumn came the shoemaker repaired to the dwellings of the farmers, and there, in a corner set apart to him, he made up shoes for the family during the winter. All these things were done among the farmers, and a large part of the expense was paid with products of the farm. When winter approached the butchering season was at hand; meat for family use during the next year was prepared and preserved in the smoke house. The orchards supplied fruit for cider, for apple butter, and for preserves of different kinds, amply sufficient to supply the wants of the family during the year, with some to spare. Wheat was thrashed, a little at a time, just enough to supply the needs of the family for ready money, and not enough to make it necessary to waste one stalk of straw. Everything was saved and put to use.

One of the results of that sort of economy was that comparatively a very small amount of money was required to conduct the business of farming. A hundred dollars average probably was as much as the largest farmers of that day needed in the way of cash to meet the demands of their farm work, paying for hired help, repairs of tools, and all other incidental expenses, because so much was paid for in produce.

ning from that time to the present, we find that ing nearly has been changed. All over the West arly the farmer thrashes his wheat all at one time, oses of it all at one time, and in a great many in- es the straw is wasted. He sells his hogs, and buys ba- n and pork; he sells his cattle, and buys fresh beef and canned beef or corned beef, as the case may be; he sells his fruit, and buys it back in cans. If he raises flax at all, instead of putting it into yarn and making gowns for his children, as he did fifty years or more ago, he thrashes his flax, sells the seed, and burns the straw. Not more than one farmer in fifty now keeps sheep at all; he relies upon the large sheep farmer for the wool, which is put into cloth or clothing ready for his use. Instead of having clothing made up on the farm in his own house or by a neighbor woman or country tailor a mile away, he either purchases his clothing ready made at the nearest town, or he buys the cloth and has a city tailor make it up for him. Instead of making implements which he uses about the farm—forks, rakes, etc., he goes to town to purchase even a handle for his axe or his mallet; he purchases twine and rope and all sorts of needed material made of fibers; he buys his cloth and his clothing; he buys his canned fruit and preserved fruit; he buys hams and shoulders and mess pork and mess beef; indeed, he buys nearly everything now that he produced at one time himself, and these things all cost money.

Besides all this, and what seems stranger than anything else, whereas in the earlier time the American home was a free home, unincumbered, not one case in a thousand where a home was mortgaged to secure the payment of borrowed money, and whereas but a small amount of money was then needed for actual use in conducting the business of farming, there was always enough of it among the farmers to supply the demand, now, when at least ten times as much is needed, there is little or none to be obtained, nearly half the farms are mortgaged for as much as they are worth, and interest rates are exorbitant.

As to the cause of such wonderful changes in the condition of farmers, nothing more need be said in this place than that the railroad builder, the banker, the money changer, and the manufacturer undermined the farmer. The matter will be further discussed as we proceed. The manufacturer came with his woolen mill, his carding mill, his broom factory, his rope factory, his wooden-ware factory, his cotton factory, his pork-packing establishment, his canning factory and fruit-preserving houses; the little shop on the farm has given place to the large shop in town; the wagon-maker's shop in the neighborhood has given way to the large establishment in the city where men by the thousand work and where a hundred or two hundred wagons are made in a week; the shoemaker's shop has given way to large establishments in the cities where most of the work is done by machines; the old smoke house has given way to the packing house, and the fruit cellars have been displaced by preserving factories. The farmer now is compelled to go to town for nearly everything that he wants; even a hand rake to clean up the door-yard must be purchased at the city store. And what is worse than all, if he needs a little more money than he has about him, he is compelled to go to town to borrow it; but he does not find the money there; in place of it he finds an agent who will "negotiate" a loan for him. The money is in the East, a thousand or three thousand or five thousand miles away. He pays the agent his commission, pays all the expenses of looking through the records and furnishing abstracts, pays for every postage stamp used in the transaction, and finally receives a draft for the amount of money required, minus these expenses. In this way the farmers of the country to-day are maintaining an army of middlemen, loan agents, bankers, and others, who are absolutely worthless for all good purposes in the community, whose services ought to be, and very easily could be, dispensed with, but who, by reason of the changed condition of things, have placed themselves between the farmer and the money owner, and in this way absorb a livelihood out of the substance of the people.

## CHAPTER II.

### THE FARMER'S COMPETITORS.

THESE things, however, are on only the mechanical side of the farmer. His domain has been invaded by men of his own calling, who have taken up large tracts of land and farmed upon the plan of the manufacturers who employ a great many persons to perform the work under one management. This is "bonanza" farming, of which, it is true, as Mr. Atkinson says, that on some of the fattest land of the West the measure of the product of one man, working the best machinery with a pair of horses, has reached *one hundred tons* of corn in a single season. The aim of some of the great "bonanza farms" of Dakota has been to apply machinery so effectually that the cultivation of one full section, or six hundred and forty acres, shall represent one year's work of only one man. This has not yet been reached, but so far as the production of the grain of wheat is concerned, one man's work will now give to each of one thousand persons enough for a barrel of flour a year, which is the average ration.

The author of American Farms discusses this subject at length, citing many interesting facts:

> On the great farms of the West, plowing is performed by immense double-gang plows—too expensive and ponderous for use on the small farms. Each plow is drawn by four horses, the plowman riding upon it as it moves along, cutting two furrows, each fourteen inches wide. When it is considered that not infrequently four of these four-horse teams, one after the other, are seen in the same

field, cutting furrows miles in length, an idea is gained of what is being done in the West by machinery and a very limited amount of human labor. One man, who does the harrowing, drives four horses attached to a gang of four harrows, covering a width of twenty-four feet. The seed is sown by broadcast seeders, planting seed over a width of sixteen feet, and drawn by four horses. To gather the harvest self-binding reapers, drawn by three horses, are managed by one man. Of the great reapers, one farm in Dakota operates sixty-five. It is said that "Dr. Glen's forty-five thousand acres of wheat in California, in 1880, were gathered by machines, each of which cut, thrashed, winnowed, and bagged sixty acres of wheat in a day." The thrashing and cleaning are mostly done by steam power in the field, and the grain is frequently hauled in bulk to the railway stations to be deposited in elevators or warehouses. Mr. Dalrymple's one hundred square miles of wheat are cultivated and gathered with machines and a troop of four hundred farm servants. Mr. Andrew Carnegie, in referring to this in his Triumphant Democracy, gives his opinion that it would require five thousand men in the ordinary way of the East to accomplish the same result.

Railroad companies gave special rates to the bonanza men, while they who, on their little farms, raised but a few hundred bushels, were lumped in the general mass for spoliation by the carriers.

And while this disastrous competition proceeded ranchmen took possession of vast areas of the public lands or used Indian reservations at a nominal rent and raised cattle by the million at no expense beyond the mere herding, while the small farmer, who owned his land (or thought he did) and paid taxes on it, had to feed and otherwise handle his stock according to the fashion of advanced agriculture. And the ranchmen, besides having the advantage of free land, or land at so small a rental as to be no burden, had special rates on railroads to market. And further, when cattle from the West reached Chicago there was no competition among buyers. The stock business there was controlled by commission merchants, railroad companies, and packing houses, who divided the profits among themselves. This subject was investigated by a committee of the United States Senate, and many surprising facts discovered. The reader is referred to the committee's report for interesting details.

A process was discovered for making a substitute for butter, and it was varied so as to accommodate a large variety of ingenious dairymen who could make butter from the fat of steers quite as well and much more expeditiously than they could from the milk of cows. The manufacture of oleomargarine came into active competition with farm butter. And about the same time a process was discovered by which a substitute for lard was produced—an article so very like the genuine lard taken from the fat of swine that the farmer himself was deceived by it.

These are some of the causes lying close to the business of farming which tended to depress the industry. It was impossible for the average farmer to hold his own with such odds against him. Combination among all the members of other callings until competition became unknown, combination among rich men of his own class, and interferences from many quarters with what had formerly belonged to his vocation alone. He, by reason of the necessary isolation of his work, found it practically impossible to oppose successfully by counter-combination. It was competition in his case, combination in that of all others.

# CHAPTER III.

## THE FARMER IS NOT TO BLAME.

It will be urged that farmers themselves are at fault in this matter; that they are responsible for many of the changes in their habits and condition which have worked against them. This is doubtless true. Seamen might have continued the use of old-fashioned wooden ships, and we might all be traveling in stage-coaches. So might farmers still use the steel and flint to start their fires with; they might be using the sickle to cut their grain, and have the wheat kernels trodden from the straw by horses' hoofs. So, too, farmers might be spinning yarn and weaving cloth and tanning leather and making ropes and rakes. But does anybody believe such things either desirable or practicable? What would be the common estimate of a man whose farm is conducted like that of his grandfather before the age of railroads? There are yet a few such, but they are practically out of the world—poor, haggard-looking people, whose ignorance of human affairs is dense as the darkness of Egypt, which could be "felt." It is folly to talk about farmers going back to conditions from which they emerged by reason of influences that moved all other classes of men. Where statesmen lead, may not the people follow? Would it have been more unreasonable in the farmer to refuse to let steam cars carry his grain than it would have been to reject the offer of factories to make cheaper cloth for him?

And if he could purchase hams and canned fruit cheaper than he could produce them himself, why should he not purchase them if he so desires? The building of a house or barn once was the work of years; now a few months at most afford abundance of time. Is one to be blamed if he prefers the new method rather than the old? While it is true that some of the old methods ought to have been retained until farmers learn the art of co-operation, it is useless to scold because he has done just what his fellows all have done. He is not responsible for the gang plow or the steam thrasher or the meat-packing house any more than he is responsible for the cotton gin, the spinning jenny, and the power loom; and he had no more control over the railway and the ranch than he had over the progress of invention or the rate of interest on money. Like other men, he was moved ahead by the power of a current which was moving all men. His habits and his methods have changed, not because he desired it or worked for it, but because conditions forced it. Whether for better or worse, the whole business world has changed, and methods, like machines, have changed in all departments of industry.

When we reflect that in other lines of work great [illegible]vancement has been made and that a rate of prog[illegible] which has no parallel in history has been attained, and that, with all that invention has brought to his aid, the farmer is falling behind relatively every year, it is apparent that had he been less progressive, and had he not adopted all labor-saving devices which were brought to him, he would be still farther behind than he is. It costs something to purchase matches and kerosene and electric lights, but that is not an argument in favor of going back to the steel and punk, the sun-dial, the tallow dip, and the lard lamp. It is expensive to supply a farm with improved utensils and machinery, but that is not a good reason why we should go back to the wooden mold-board and brush-harrow, to the flail, the flax-break, and hand loom. The truth is, farmers can and do produce vastly more now than they did or could produce under the old *régime* with an equal amount of labor.

Nor has the farmer grown indolent. He devotes as many hours to toil as he ever did. His working day, now as of old, begins with the dawn and ends with the twilight. He is quite as watchful of his property, quite as diligent in business, and more capable than ever to attend to the regular work of the farm. He is wasteful in many respects—not because of inclination in that direction, but because of the general extravagance about him. His loss from this source, however, does not account for more than an infinitesimal part of his present misfortunes.

The farmer is not extravagant in his habits of life He has in many cases provided himself with comforts, even luxuries; but the average farmer is a frugal man, trying hard to live within his means. He has no more on his table now than had his ancestor a hundred years ago. He lives plainly The argument often used against farmers in this respect is answered sufficiently by the critics themselves; for, as soon as they have concluded an attack on that line, they at once proceed to show that the depression of agriculture not only does not come from waste and extravagance, but from overproduction. Farmers are not wasting, these people say; on the contrary, they are raising altogether too much wheat, corn, cotton, and cattle, and that is what ails them.

There are some things, however, which farmers ought to have left as they were, and as to them no time should be lost in restoring them. The smoke house and the grain bin ought not to have been abolished. The magic power of manure ought to be again recognized, and crop rotation brought into fashion.

Transportation brings the farm and the factory close together; transportation makes it possible for men of different callings to serve one another, no matter how far apart they may be. The manufacturer supplies the tools, the machinery, and the oil to keep the farm and the railroad moving. In truth, the farmer, the carrier, and the manufacturer are natural allies, and some day they will so understand it. One reason why the farmer is behind in the race is because his forces are scattered while theirs are consolidated. One railroad company is worth—say twelve million dollars, and that would be a poor company, but its capital is equal to the value of five thousand average farms. If one manufacturing establishment is worth a million dollars, that is equal to four hundred farms. One man controls the factory, while four hundred men separately have charge of as many farms. One man manages the railroad, while five thousand men separately manage the five thousand farms. That, in practice, makes one railroad manager equal to five thousand farmers, and puts one large manufacturer against four hundred farmers. The railroad employs large numbers of men; so does the factory, and these men, in matters political, are largely under the influence of their employers. This gives to the men of millions great social influence—enough, when combined with the power of the money they control, to dictate measures of legislation in their favor. They are close to the governing agencies of the people. Law makers listen to the men that speak, and these are they who do the talking. Farmers have ceased to be Congressmen and Senators. Lawyers, bankers, railroad officers—they compose our legislative bodies largely now, and it is men of their classes that ask and obtain enactments to further or protect their interests.

# CHAPTER IV.

## SETTLEMENT OF THE NEW WEST.

In connection with this subject, the settlement of the new West is interesting. In the latter part of December, 1861, the banks of the country suspended specie payments. This was occasioned by the pressure brought to bear upon the Government for money because of the great war, which was then in progress. From that time until the present, as will appear more fully hereafter, the moneyed interests of the country dictated our financial legislation, obtaining all that they desired, or at least defeating all that was to them objectionable. In 1862 a large area of the public land was granted by Congress to the Union Pacific Railroad Company and auxiliaries, in all amounting to some twenty-eight million acres, and the next year to other roads as much more. With these grants began a system of disposing of the public lands in immense quantities to railroad companies by name. The extent of territory given to each road was measured by a limit extending out from ten to twenty miles on either side of the line as it should be finally located, the company receiving alternate sections, leaving the other half as public lands belonging to the Government. The railroad companies at once undertook the settlement of the new region by bringing in immigrants from other parts of the world. Europe was flooded with advertising literature, portraying in glowing colors the wonderful fertility of this new unsettled region and the marvelous facilities there for acquiring wealth by early settlers. In order that this particular class of advertising might be more effective, the railroad builders united with the manufacturers in asking Congress to enact a law authorizing the making of contracts in foreign countries by American citizens for labor.*

The object of this enactment was twofold. First, upon the part of manufacturers, to obtain cheaper labor than they were then using, because a large number of the working people of the country had gone into the army; second, the railroad builders wanted cheaper labor than they could employ in this country to build their roads through the new regions to be settled; and in both of these respects the movement was eminently successful. Large numbers of people were attracted by the inducements offered, and in the course of a few years after the war an area in the western part of our country larger than the original thirteen States was settled and large portions of it brought under cultivation. Farms were opened, towns were built, churches and school-houses dotted the plains and hills, and a post-office was established within easy reach of every man's door. But in doing this it became necessary to make extended investments, both of credit and of money. The settlers were generally poor; they were offered the railroad lands at an average of about $3 an acre upon the payment of a small portion cash—10 per cent or thereabouts—the rest in ten annual payments with interest at 7 to 10 per cent, giving a mortgage to the company as security for deferred payments. In connection with this sort of railroad extension and settlement, feeding roads were projected in all directions, and the people who settled upon the lands to be supplied with the new roads were asked to assist in the projects by voting municipal bonds This resulted in a large bonded indebtedness of the townships, counties, and cities all through the West. The price which the railroad companies fixed upon the lands had the effect in law and in fact to raise the price of the reserved Government sections to two dollars and a half an acre. The homestead law did not apply anywhere within the limits of a railroad grant. Upon the public lands outside of the railroad limits any person authorized to make a homestead entry was entitled to locate, and for a few dollars (to pay fees and necessary expenses) he could obtain a quarter section of land and make a home upon it; but it required money to buy the lands within the railroad limits either from the company or from the Government, and a good deal of money for a poor man. The only way to obtain the money was to borrow it, and as a part of this scheme of settlement a vast system of money lending had been established, with agents in every town along the lines of the new roads engaged in the business of negotiating loans, advertising their work far and wide, so that the purchasers of lands from either the railroad company or from the Government within the limits of the grants need only apply to these money lenders, and for a commission to the "middle man" could obtain money from Eastern owners in any conceivable amount. It was not long until the whole country in the region of these new roads was mortgaged. While the lands were fertile they did not produce any more than other lands of equal fertility, and they were so far away from the markets of the country that transportation ate up from 60 to 75 per cent of the value of the crops. While a good deal could be produced upon these rich acres, still the profit margin was so small that there was really but little left in the end. Where a person took up a homestead claim and raised one good crop of wheat, he was considerably ahead in the world; but where he had to pay from two and a half to three dollars an acre, borrow the money, and pay 50 per cent interest upon it, renewed every year, he had a hard road to travel; it was with difficulty that even the best of the new farmers and the most economical among them were enabled to meet their engagements and save their homes. In a large majority of cases it became necessary to borrow more money in order to meet maturing obligations. Rates of interest were exorbitant, rates of transportation on the railroads were unreasonably high, taxes were excessive, salaries of officers were established by law and were uniformly high, while there was but little property and comparatively few tax payers at that early period in the settlement, so that the burdens of taxation fell heavily upon the few who were ready to be caught by the tax gatherer.

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* The act was approved July 4, 1864. sections 2 and 3 of which read as follows: Section 2. And be it further enacted, That all contracts that shall be made by emigrants to the United States in foreign countries, in conformity to regulations that may be established by the said commissioner, whereby emigrants shall pledge the wages of their labor for a term not exceeding twelve months, to repay the expenses of their emigration, shall be held to be valid in law, and may be enforced in the courts of the United States, or of the several States and Territories; and such advances, if so stipulated in the contract, and the contract be recorded in the recorder's office in the county where the emigrant shall settle, shall operate as a lien upon any land thereafter acquired by the emigrant, whether under the homestead law when the title is consummated, or on property otherwise acquired, until liquidated by the emigrant; but nothing herein contained shall be deemed to authorize any contract contravening the Constitution of the United States, or creating in any way the relation of slavery or servitude.

Sec. 3. And be it further enacted, That no emigrant to the United States who shall arrive after the passage of this act shall be compulsively enrolled for military service during the existing insurrection, unless such emigrant shall voluntarily renounce under oath his allegiance to the country of his birth, and declare his intention to become a citizen of the United States.

In connection with these proceedings it is proper to mention a fact which will be more fully elaborated further on, that while the burdens just mentioned were increasing other forces were operating to add to the difficulties in the farmers' way. The people were rapidly taking upon themselves new obligations, while, by reason of the contraction of currency, prices of farm products fell to a very low figure—in many cases below the cost line—and in a proportionate degree taxes and debts of all kinds increased relatively. While one hundred dollars were the same on paper in 1889 that they were in 1869, yet by reason of the fall in values of products out of which debts were to be paid the dollars grew just that much larger. It required twice as many bushels of wheat or of corn or of oats, twice as many pounds of cotton or tobacco or wool to pay a debt in 1887 as it did to pay a debt of the same amount in 1867. While dollars remained the same in name, they increased 100 per cent in value when compared with the property of the farmer out of which debts were to be paid; and while a bushel of wheat or of oats or of corn was the same in weight and in measure in 1887 that it was in 1867, yet it required twice as many bushels to pay the same amount of debt. The same principle holds good in all of the different obligations for which the farmers were liable, and is applicable to the only property with which they were supplied to pay their indebtedness. It became necessary under those conditions to renew loans, pay additional commissions, contract new obligations, until today we find that fully one third of the farms of the country, especially of the western part of the country, are under mortgage. In some counties from three fourths to seven eighths of the homes of the farmers are mortgaged for more than they would sell for under the hammer.

It is said frequently that the farmer himself is to blame for all of these misfortunes. If that were true it would afford no relief, but it is not true. The farmer has been the victim of a gigantic scheme of spoliation. Never before was such a vast aggregation of brains and money brought to bear to force men into labor for the benefit of a few. The railroad companies, after obtaining grants of land with which to build their roads, not only sold the lands to settlers and took mortgages for deferred payments, but, after beginning the work of building their roads, they issued bonds and put them upon the market, doubled their capital upon paper, compelling the people who patronized the roads to pay in enhanced cost of transportation all these additional burdens. The roads were built without any considerable amount of money upon the part of the original stockholders, and where any money had been invested in the first place, shrewd managers soon obtained control of the business and the property. So large a proportion of the public lands was taken up by these grants to corporations that there was practically very little land left for the homestead settler. It appears from an examination of the records that from the time our first land laws went into operation until the present time the amount of money received from sales of public lands does not exceed the amount of money received from customs duties on foreign goods imported into this country during the last year, while the lands granted to railroad companies directly, and to States for the purpose of building railroads indirectly, if sold at the Government price of $1.25 an acre, would be equal to three times as much as was received from sales of the public lands directly to actual settlers. The farmer was virtually compelled to do just what he has done. The railroad builder took the initiative. Close by his side was the money changer. The first took possession of the land, the other took possession of the farmer. One compelled the settler to pay the price fixed upon the railroad lands by the railroad company; the other compelled the settler on the public lands within the grant to pay the increased price, and to borrow money through him to make the payments on both. This system continued until the farmer, accommodating himself to prevailing conditions, was in the hands of his destroyers. Now we find the railroad companies capitalized for from five to eight times their assessed value, the farmer's home is mortgaged, the city lot is mortgaged, the city itself is mortgaged, the county is mortgaged, the township is mortgaged, and all to satisfy this over-reaching, soulless, merciless, conscienceless grasping of avarice. In the beginning of our history nearly all the people were farmers, and they made our laws; but as the national wealth increased they gradually dropped out and became hewers of wood and drawers of water to those that own or control large aggregations of wealth. They toiled while others took the increase; they sowed, but others reaped the harvest. It is avarice that despoiled the farmer. Usury absorbed his substance. He sweat gold, and the money changers coined it. And now, when misfortunes gather about and calamity overtakes him, he appeals to those he has enriched only to learn how poor and helpless he is alone.

# CHAPTER V.

## THE DESTROYING-POWER OF USURY.

DEAR reader, did you ever study the meaning of usury? Do you comprehend the extent of its operation? Do you know that once in every generation all the wealth of the people passes into the hands of the rich? The only reason we are not startled at the movement is that, like the motion of shadows on the dial-plate, we do not observe it until the work is done. Money at interest is a destroyer. It earns ten dollars to labor's one. It increases at the rate of 6 per cent to 100 per cent half-yearly, and it eats not a morsel, nor does it require any exertion or outlay on the part of its beneficiary. Muscles and brains must be maintained and renewed constantly, bodies must be clothed and fed, families must be housed, governments must be sustained, and all these things require effort and waste of substance; but a dollar at interest does not waste, it needs no repairs. It earns ten cents in one year, then it earns another ten cents the next year, while its first year's profit earns one cent; and so it goes on from year to year bringing in an income, and that income bringing in others, every year a new reaper coming into the field, and every one drawing 10 per cent of its value out of the labor of men and women who earn little if any more than a bare living. Agriculture earns not more than 2 per cent net profit; while the rate of interest on money is from three times to thirty times that much. Legal rates run from 6 per cent up to the limit of a robber's conscience. Let us study this usury question.

If it be right to exact money under any circumstances for the use of money, and if it be right to regulate the rate of interest by law, surely justice requires that no greater percentage should be allowed or demanded than is equal to the average gain of labor. If the working forces of the country, when all employed, do not gain faster than a certain rate per cent per annum, that rate, whatever it be —if any rate is to be allowed—should be the legal rate for the use of money. If the people, when all are working, gain steadily 10 per cent every year, then let 10 per cent be the interest rate; if the general gain of the workers does not exceed 5 per cent, that rate is high enough for interest; if the community, the State, or the nation do not gain faster than 2 per cent or 3 per cent, no more than that ought to be allowed as interest for the use of money. Whenever and wherever the rate of interest on money is higher than the average gain of labor, then and there the wealth which is produced by labor (and that is all of it) will be absorbed by the few who are able to obtain possession or control of the money. The nearer the interest rate is to the average gain of the workers the slower will be the process of absorption; the higher the rate above that average the faster will some men become rich and the faster will the masses become relatively poorer. Interest on money is the standard of increase adopted by manufacturers, carriers, landlords, merchants, and all other classes who have something to let to other people for hire. If 10 per cent be the general or usual or lawful rate of interest on money, everybody wants 10 per cent for the use of his property, and the rule governs in innumerable transactions. In that case society seems to rest on a 10-per-cent foundation, and labor is charged with the interest, rent, profit, fee, toll, or whatever the increase be called.

If the rate be 10 per cent and labor gains only 3 per cent, then capital has the advantage of labor just the difference between 3 per cent and 10 per cent. That difference is 4 per cent above the high-water mark of labor's tide, and, if the rate be paid semi-annually, as it is in most cases, it will require only about twenty years to absorb all that labor had saved when the usury was begun.

Let it be understood that money, as such, is dead capital. It produces nothing, it can not produce anything, nor can it be made to produce anything. It is not like the earth, human brains and muscle, or a machine, all of which are productive agencies. Money is utterly useless as a producing force. Labor only, in one form or another, produces property, from which comes wealth. Money is merely a representative of the value of the fruit of labor. It may be used in the purchase of property, in the payment of debts, and for effecting exchanges of the value of property. But it can not be used for purposes of food, shelter, clothing, or for the production of any article of comfort or necessity. It is for that reason that the increase on profits of labor should be the basis upon which to estimate the rate of interest that persons should be permitted to charge for the loan of money.*

How may we know the rate of labor's increase, and by what rule shall we compute the yearly gain of industry? Since the beginning of our civil war the industries of the United States have been more or less abnormally stimulated or depressed. In manufacturing localities, and in what are called "money centers," the accumulation of wealth has been phenomenal, while in other places there has been a great decline latterly. Before the war our progress had been much more uniform. Let us refer to the progress of two of the most thrifty commonwealths—Massachusetts and New York, as they grew before the war period. In the May number for 1847 of *Hunt's Merchant's Magazine* is an estimate of the increase of wealth of Massachusetts for fifty years—from 1790 to 1840. The estimate is made up from six decennial valuations under State laws. These valuations, the author informs us, had the sanction of the General Court, and were the bases of apportionment of all State taxation for the ten years following. They were prepared from returns furnished by the assessors of the several towns and districts, and were intended to embrace all the taxable property of the Commonwealth. From the records it appears that the assessors' valuation of the property in Massachusetts in 1790 was $44,024,349, and in 1840 it was $299,880,338. The increase during fifty years was $255,855,989. This is equal to an annual net increase of about 4 per cent.*

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* Money, then, earns for its owner by an accumulative power—by a power to gather things already produced, and not by a natural power of growth, like that contained in the germ of wheat or grain. Where this power to accumulate by interest is made greater and more rapid than the natural power of production by labor, this law of interest becomes a most powerful engine of evil. It gathers into the hands of a few capitalists the productions of labor, and often deprives the producers of the necessaries of life.—*Kellogg.*

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* If in 1790 the people of Massachusetts had rented their property of a foreign nation, and agreed to pay interest on it half-yearly at the rate of 6 per cent per annum, they would have been bound to pay in the fifty years about three and a half times more than they earned during that period over and above their living. The results of the establishment of this rate of interest in the State are manifest in the accumulation of wealth in the hands of the few and in the proportionate destitution of the many. . . . If the rate of interest on money in Massachusetts were at 1 per cent per annum instead of at 6 per cent, and the $44,024,349 were loaned on six months' paper at 1 per cent interest in advance, in fifty years the money would accumulate $28,879,973. Add the principal—i. e., $44,024,349—and the sum would be $72,904,322, instead of $929,548,595, the accumulation at 6 per cent.—*Kellogg.*

The property of the State of New York in 1835 was valued at $530,653,524, and the increase in twenty-four years was $885,637,313, or for the whole period an average of not quite 7 per cent per annum; and, added yearly, of about 4 per cent per annum. At 7 per cent, with the interest compounded yearly, the State would have added to its wealth during the twenty-four years over $2,100,000,-000—that is, over $1,200,000,000 more than was actually added to the wealth of the State by the labor of all its inhabitants. The legal rate of interest demanded from laborers over $1,200,000,000 more than they actually earned.

The average man never gave a moment's thought to the destroying power of interest. A few dollars of interest money is a small matter; but when the interest accumulations of a number of years are compared with the slow gains of labor, the contrast appears strikingly. I desire to impress the reader's mind with the force of the thought—*interest is a destroyer.* If it be compounded every six months, interest at 1 per cent would transfer $824 worth of the products of labor to the capitalists to pay for the use of $1,000 for sixty years; at 6 per cent, $37,671.58; at 7 per cent, $70,898.92; and at 30 per cent, $294,936,058,207.37.*

It is not interest merely—interest as such—that destroys; for as long as the principle is recognized and the

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* *Proportionate results of compounding $1 for one hundred years at various rates per cent—ratio to 1 per cent.*

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|---|---|
| 1 per cent........ | 2.70 |
| 2 " ........ | 7.24, or about 2⅜ times 1 per cent. |
| 3 " ........ | 19.22, or 7 times 1 per cent. |
| 4 " ........ | 50.50, or 18⅔ times 1 per cent. |
| 5 " ........ | 131.50, or 45 times 1 per cent. |
| 6 " ........ | 339.30, or 125 times 1 per cent. |
| 8 " ........ | 2,200.00, or 815 times 1 per cent. |
| 10 " ........ | 13,780.61, or 5,104 times 1 per cent. |

—*John G. Drew.*

practice followed, as long as money is treated as a commodity to be dealt in the same as corn or cotton, there is nothing illogical in demanding money as interest on loans of money. Not interest, but the *rate* of interest it is which gnaws at the vitals of labor. If farming pays a net profit of 2 per cent, it can well afford to pay 1 per cent as interest on any loans of money it may have need of; but when a drain of 10 per cent sets in it soon draws off the savings of toil. A 2-per-cent business can not afford to pay 10 per cent interest. Labor can not afford to pay as interest any more than the net profit on its work. It is wonderful, when one thinks of it, how long men do bear the strain of this unnatural and cruel burden —usury. It is one form of slavery, vicious and destructive in its nature, dreadful in results. The experience of men in all countries and in all ages in relation to the effects of high rates of interest has been the same—absorption of property by the rich, impoverishment of the masses, extravagance in public expenditures, corruption in high places, rebellion and revolution, destruction of kingdoms, the wasting of empires, repudiation, and fastening perpetual taxation on the poor. Usury enslaved Greece and ruined Rome. Ten per cent to 48 per cent were allowed by Grecian lawgivers, and similar practice put 95 per cent of Roman lands in the possession of 5 per cent of the population. England found herself bound in chains of usury, and in 1757 consolidated her floating debt into *consols* bearing 3 per cent interest. The consols are held by English people, are bought and sold as other Government securities, and their market value is supposed to indicate the financial condition of the people. The business of the shrewdest financiers in the world plays around an interest rate of 3 per cent on a principal which will never be paid. At one stroke the difference between 7 per cent and 3 per cent on a vast indebtedness was wiped out so as to relieve a debt-ridden nation from the weight of burdens they could not longer bear.*

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* English statesmen long ago discerned this drifting to national and individual bankruptcy, resulting from agreements by the nation and individuals to pay more for the rental of money than the use of the same would enable the borrower to produce, and most clumsily and empirically saved themselves by repudiation of the entire principal and a part of the interest of their national debt by merging or lumping all its varieties into what they term "consolidated annuities," usually abbreviated to "consols." The principal of these bonds is never to be paid, being defined by them as "interminable annuities," by which they mean that the interest (3 per cent) is payable forever, and principal never.—*John G. Drew.*

## CHAPTER VI.

### INTEREST RATES IN THE UNITED STATES.

CONCERNING interest rates paid in the United States, while the Government, during the most trying period of our great war, never agreed to pay more than 7$^3/_{10}$ per cent, and while rates on Government bonds have been reduced to 4 per cent, with pending propositions by distinguished statesmen to float 3-per-cent and 2-per-cent bonds running fifty years, the people as individual borrowers have paid as high as 50 per cent on yearly loans, and are now paying from 6 per cent to 12 per cent on long-time loans, and much more on short-time loans. In Census Bulletin No. 3, under date April 22, 1891, at pages 5 and 13, treating of interest rates generally, and of those prevailing in Alabama and Iowa specially, the writer says:

> In order to make a complete presentation of the interest statistics of these States, much work still remains to be done on the material now in this office, but for present purposes the following facts have been established: The chief rate in Alabama is represented in Table 3 to have been 8 per cent, the recorded debt of the ten years having borne that rate being 63.6 per cent of the total. The amount bearing interest at 6 per cent was 17.15 per cent of the total; the amount bearing interest at 7 per cent was 4.57 per cent of the total; the amount bearing interest at 12 and 12.5 per cent was 6.25 per cent of the total. Of the total recorded debt of $91,099,623, 11.49 per cent drew interest above 10 per cent and 88.51 per cent drew interest at 10 per cent or less. Above 8 per cent all interest is usurious, and has been so during ten years pre-

vious to January 1, 1890. Usurious rates are, or were, actually paid on 13.61 per cent of the recorded debt.

Interest at 8 per cent is, or was, paid on 48.60 per cent of the debt of Iowa recorded during the ten years; interest at 7 per cent on 21.91 per cent of the total; interest at 10 per cent on 13.28 per cent of the total; interest at 6 per cent on 12.88 per cent of the total; interest above 10 per cent on 0.02 of 1 per cent of the total, and interest at 10 per cent and less on 99.98 per cent of the total. The legal limit to the rate of interest is 10 per cent, and has been so for ten years.

The "interest mortgage" is a device to protect the loan agent from the operation of laws against usury. The first or principal mortgage, which recites the amount of money actually borrowed, secures payment of lawful interest only, and the second or *interest* mortgage secures the agent's fees in addition to the margin which he charges up against the owner of the money. It must be remembered that the business of negotiating loans has grown to a profession. It is rare now that a borrower ever contracts with the owner of the money he receives. The act of borrowing is performed through the agency of a "middle man," who is known as a loan agent, and he exacts fees from both parties to the contract. He secures an investment for the owner of the money and charges him a fee for that; he secures a loan for the borrower and charges him for that. All below the legal rate of interest he can collect in court, and he does not need to conceal anything in regard to that; but all demands above the legal rate are usurious, and he may have some trouble about it in case he goes into court, so he puts this into a separate note and mortgage and "takes chances." This interest mortgage business is well understood among the victims. It is one department of a vast business which was plainly described by Prof. J. W. Gleed, of Kansas, in *The Forum* for March, 1890:

The Western mortgage business was begun by individual brokers, who invested on their own judgment, based on personal knowledge of borrowers and securities. Their profit lay in the margin between the low interest capitalists would accept and the high interest borrowers would pay. Capitalists sent their money for investment, and mortgages were made to them directly, so that the brokers required no capital. The business of bringing borrower and lender together has always been profitable. The broker of the community becomes the capitalist of the community. The Western mortgage brokers have been no exception to the rule. One of them in Kansas has made nearly $10,000,000 since 1870. The business developed rapidly. As increased capital has become necessary, individual brokers have given way to corporations. There are probably two hundred such corporations now operating in Nebraska and Kansas alone. While the individual broker confined his operations to his own and adjoining counties, the corporation took States for its field, established local agents, and adopted the plan of taking all mortgages in the company's name. . . . As to the payment of the commission, various plans are in use. The most profitable is this: Out of the proceeds of the note and mortgage the negotiator receives all the expense of making the loan and his commission. For many years this commission was enormous. The companies located at St. Paul, Omaha, Des Moines, Kansas City, St. Joseph, Topeka, Denver, or Dallas sometimes received as high as 15 per cent commission on a five-year loan, and for many years the home company never received less than 10 per cent. The local agent exacted all that he could above this amount. Another custom as to commission is to secure it by notes and a second mortgage. This commission is usually made payable in ten semi-annual installments. On default in the payment of one installment, the whole sum becomes due. Embodied in the note or mortgage are all conceivable provisions for the protection of the lender. Interest is made payable semi-annually, and is represented by interest coupons that bear interest from maturity at the highest legal rate. The borrower assures the payment of the taxes, and agrees to keep the buildings insured for the benefit of the mortgagee. On default in the payment of interest or in the performance of any of the agreements of the note or mortgage, the lender may declare the whole amount of principal and interest immediately due. Such being the contract, other sources of profit besides the initial commission will immediately be perceived. The transaction may have such a history as this: The first interest coupon is paid; the second is defaulted. The company remits to the Eastern investor, and then declares the whole debt due on account of the default. The borrower wishes to pay up and have the loan reinstated. The company then collects the amount of the defaulted interest, with interest compounded thereon at the highest legal rate, and a further commission, or bonus, for reinstating or renewing the loan. Or perhaps the company insists upon payment of principal and interest. In that case the borrower borrows elsewhere; the company is paid in full; the amount is reinvested, earning another 10 per cent commission, and the new mortgage is sent to the investor and the old one canceled. The borrower who for any reason desires to pay off his mortgage before it is due must do so on such terms as the company may prescribe. He can not treat directly with the Eastern owner of the mortgage, for he can not ascertain who that owner is; the assignment from the company to the investor is not recorded. The borrower is usually allowed to anticipate his obligation on payment of a bonus of 2 per cent per annum for the unexpired time. . . . If a foreclosure becomes necessary, the company secures it at the lowest possible cost—at a wholesale cost. . . . Many companies, however, adopt the invariable rule of taking the land. The best and most conservative companies have made large profits by the sale of lands by themselves taking title to all foreclosed tracts. . . . As yet, in most of the Western States, the laws are more favorable to the lender than they are in the Eastern States, and courts are in the main fair.

It appears that so many devices have been invented to exact exorbitant commissions and at the same time evade the law that courts are virtually powerless to remedy the cruel wrong which is thus being practiced upon a defenseless people. Through the courtesy of Messrs. Superintendent Porter and Special Agent Holmes, of the Census Bureau, I have been permitted to avail myself of much valuable information bearing on this point, collected by Mr. J. Frank Stoner, who is specially commissioned to examine the laws and ascertain the tenor of judicial decisions on the general subject of interest and usury. By the assistance of Mr. Stoner I am enabled to present some very interesting and instructive matter showing what has been the prevailing practice in such cases as have been taken into courts either to enforce or to avoid the payment of usury. Such of the cases thus far examined as can be analyzed are so treated and the facts tabulated, followed by a brief digest of the cases by Mr. Stoner. In cases adjudicated in Nebraska, Minnesota, Mississippi, Iowa, Maine, New Jersey, Illinois, and New York interest rates running from 15 to 42 per cent were enforced. All above legal or reasonable rates was covered by some ingenious device that defeated justice in the courts.

# CHAPTER VII.

## FINANCIAL LEGISLATION.

THE history of our financial legislation during the period of the war and up to 1882 is particularly interesting, and, like most other matters of current legislation, the people know very little about the details. The acts of July 17, 1861, and August 5, 1861, "authorized a loan of $250,000,000, for which could be issued bonds bearing interest at a rate not exceeding 7 per cent per annum, irredeemable for twenty years, and after that redeemable at the pleasure of the United States; treasury notes bearing interest at the rate of 7.30 per cent per annum, payable three years after date; and United States notes without interest, payable on demand, to the extent of $50,000,000" (increased by the act of February 12, 1862, to $60,000,000), "the bonds and treasury notes to be issued in such proportions of each as the Secretary may deem advisable."

The supplementary act of August 5, 1861, "authorized an issue of bonds bearing 6 per cent interest per annum, and payable at the pleasure of the United States after twenty years from date, which may be issued in exchange for 7.30 treasury notes, but no such bonds to be issued for a less sum than $500; and the whole amount of such bonds not to exceed the whole amount of 7.30 treasury notes issued."

Under the two acts of July, 17, 1861, and the supplementary act of August 5, 1861, the following issues were made: Of twenty-year 6-per-cent bonds, $50,000,000; of the 7.30 notes, $139,999,750; and of demand notes, $60,000,000; and of these issues there were outstanding on the 30th day of June, 1866, $50,000,000 of the 6-per-cent bonds, and $139,301,700 of the 7.30 notes, and $272,162 of the demand notes. Of these several amounts, the 7.30 notes and the demand notes were used as currency in the transaction of business generally. Together they amounted to $139,573,862.

The next act was that approved February 25, 1862, commonly known as the greenback act. It "authorized the issue of $500,000,000 in 6-per-cent bonds, redeemable after five years, and payable twenty years from date, which may be exchanged for United States notes." These are known as the 5-20 bonds. The same act "authorized the issue of $150,000,000 in legal-tender United States notes, $50,000,000 of which to be in lieu of demand notes issued under act of July 17, 1861," and on July 11, 1862, an act was approved which "authorized an additional issue of $150,000,000 legal-tender notes, $35,000,000 of which might be in denominations less than $5; $50,000,000 of this issue to be reserved to pay temporary loans promptly in case of emergency."

A resolution of Congress, January 17, 1863, "authorized the issue of $100,000 in United States notes, for the immediate payment of the army and navy, such notes to be a part of the amount provided for in any bill that may hereafter be passed by this Congress." (The amount in this resolution is included in the act of March 3, 1863.) And the act of March 3, 1863, "authorized a further issue of $150,000,000 in United States notes, for the purpose of converting the treasury notes which may be issued under this act, and for no other purpose. And a further issue, if necessary, for the payment of the army and navy, and other creditors of the Government, of $150,000 000 in United States notes, which amount includes the $100,000,000 authorized by the joint resolution of Congress, January 17, 1863." Under these acts of February 25, 1862, and March 3, 1863, United States notes were issued to the amount of $400,619,206, and these were all legal tender for all debts, public and private, except for duties on imports and interest on the public debt.

The act of March 3, 1863, also "authorized treasury notes to the amount of $400,000,000, not exceeding three years to run, with interest at not over 6 per cent per annum, principal and interest payable in lawful money, which may be made a legal tender for their face value, excluding interest, or convertible into United States notes."

The act of March 3, 1864, also "authorized the issue of bonds not exceeding $200,000,000, bearing date March 1, 1864, or any subsequent period, redeemable at the pleasure of the Government after any period not less than five years, and payable at any period not more than forty years from date, in coin, bearing interest not exceeding 6 per cent yearly, payable on bonds not over $100 annually, and on all other bonds semi-annually, in coin."

The act of July 17, 1862, "authorized an issue of notes of the fractional parts of one dollar, receivable in payment of all dues, except customs, of less than five dollars, and exchangeable for United States notes in sums not less than five dollars." The notes issued under this act were known as fractional currency.

The act of March 3, 1863, further "authorized an issue not exceeding $50,000,000 in fractional currency (in lieu of postage or other stamps), exchangeable for United States notes in sums not less than $3, and receivable for any dues to the United States less than $5, except duties on imports. The whole amount issued, including postage and other stamps issued as currency, not to exceed

$50,000,000." Of these last-mentioned acts, $67,629,286.96 was used as currency.

Under the acts of March 3, 1863, June 30, 1864, January 28, 1865, and March 3, 1865, the following amounts were issued: Of treasury notes, $159,012,140 (these were known as three-year notes); also 7.30 treasury notes to the amount of $806,251,550; making a total of $965,263,690. The total amount of "currency" issued under all of these acts and outstanding on the 30th day of June, 1866, was $1,550,506,311.61.

Under acts of March 3, 1865, and April 12, 1866, provision was made for the withdrawal of treasury notes and other forms of currency.

The reader must bear in mind that there are two classes of notes mentioned in these different acts: One known as "United States notes"; these are commonly called greenbacks, and never much exceeded $400,000,000. It was provided in the law that the issue of United States notes should never exceed $400,000,000, but there was a slight overissue. The other class of notes is known as "treasury notes." They were issued some of them to run one year, some of them two years, some of them three years, still others payable on demand and at ten days' notice. Some of them bore 6 per cent interest, some of them bore 7.30 per cent interest. They were all used as "currency," and were legal tender in the transaction of much ordinary business and in the payment of Government dues, excepting duties on imports. United States notes are "greenbacks"; treasury notes are not.

Under the acts of March 3, 1865, and of April 12, 1866, the Secretary of the Treasury began the withdrawal of currency from circulation, the amounts so withdrawn being shown in subsequent pages.

The act of March 1, 1862, authorized an issue of certificates of indebtedness, payable one year from date, in settlement of claims against the Government. Interest, 6 per cent, payable in coin. And by act of March 3, 1863, any certificates of indebtedness issued after the date of that act were payable in lawful money. No limit to the issue.

An Act to authorize payments in stamps, and to prohibit circulation of notes of less denomination than one dollar.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Secretary of the Treasury be, and he is hereby directed to furnish to the assistant treasurers, and such designated depositaries of the United States as may be by him selected, in such sums as he may deem expedient, the postage and other stamps of the United States, to be exchanged by them, on application, for United States notes; and from and after the first day of August next such stamps shall be receivable in payment of all dues to the United States less than five dollars, and shall be received in exchange for United States notes when presented to any assistant treasurer or any designated depositary selected as aforesaid in sums not less than five dollars.

SEC. 2. *And be it further enacted,* That from and after the first day of August, eighteen hundred and sixty-two, no private corporation, banking association, firm, or individual shall make, issue, circulate, or pay any note, check, memorandum, token, or other obligation, for a less sum than one dollar, intended to circulate as money or to be received or used in lieu of lawful money of the United States; and every person so offending shall, on conviction thereof in any district or circuit court of the United States, be punished by fine not exceeding five hundred dollars, or by imprisonment not exceeding six months, or by both, at the option of the court.

The Secretary of the Treasury as early as 1861, and again in 1862, and afterward in every report made by that officer for several years after the war, insisted that the issuing of notes by the General Government was a dangerous proceeding, and ought not to be adopted as a permanent policy. Mr. Secretary McCulloch, in his report for 1866, on page 17, used this language: "Anxious as he (the Secretary) is to lighten the public burdens and reduce the public debt, he does not hesitate to advise that these notes (greenbacks) be withdrawn from circulation, and that the furnishing of what paper currency may be required be left to corporations under existing laws, and such amendments of these laws as experience may dictate for the better protection and advancement of the public interest." On page 16 of the same report the Secretary says that he is "of the opinion that the national banks should be sustained, and that the paper circulation of the country should be reduced not by compelling them to retire their notes, but by the withdrawal of the United States notes." This is but a repetition of advice given by his predecessors, and, in accordance with those views of the situation, propositions were made for the establishment of a national banking system early in 1861. The subject was discussed in 1862, a bill was introduced in January, 1863, the next month it passed both houses of Congress, and was approved by the President February 25, 1863

National Bank Act, February 25, 1863, as amended by act of June 3, 1864.

. . . . . . . . . . .

SEC. 5. *And be it further enacted,* That associations for carrying on the business of banking may be formed by any number of persons, not less in any case than five, who shall enter into articles of association, which shall specify in general terms the object for which the association is formed, and may contain any other provisions, not inconsistent with the provisions of this act, which the association may see fit to adopt for the regulation of the business of the association and the conduct of its affairs, which said articles shall be signed by the persons uniting to form the association, and a copy of them forwarded to the Comptroller of the Currency, to be filed and preserved in his office.

. . . . . . . . . . .

SEC. 16. *And be it further enacted,* That every association, after having complied with the provisions of this act, preliminary to the commencement of banking business under its provisions, and before it shall be authorized to commence business, shall transfer and deliver to the Treasurer of the United States any United States registered bonds bearing interest to an amount not less than thirty thousand dollars nor less than one third of the capital stock paid in, which bonds shall be deposited with the Treasurer of the United States and by him safely kept in his office until the same shall be otherwise disposed of, in pursuance of the provisions of this act; and the Secretary of the Treasury is hereby authorized to receive and cancel any United States coupon bonds, and to issue in lieu thereof registered bonds of like amount, bearing a like rate of interest, and having the same time to run; and the deposit of bonds shall be by every association increased as its capital may be paid up or increased, so that every association shall at all times have on deposit with the Treasurer registered United States bonds to the amount of at least one third of its capital stock actually paid in: *Provided*, That nothing in this section shall prevent an association that may desire to reduce its capital or to close up its business and dissolve its organization from taking up its bonds upon returning to the Comptroller its circulating notes in the proportion hereinafter named in this act, nor from taking up any excess of bonds beyond one third of its capital stock and upon which no circulating notes have been delivered.

SEC. 21. *And be it further enacted*, That upon the transfer and delivery of bonds to the Treasurer, as provided in the foregoing section, the association making the same shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations, in blank, registered and countersigned as hereinafter provided, equal in amount to ninety per centum of the current market value of the United States bonds so transferred and delivered, but not exceeding ninety per centum of the amount of said bonds at the par value thereof, if bearing interest at a rate not less than five per centum per annum; and at no time shall the total amount of such notes issued to any such association exceed the amount at such time actually paid in of its capital stock.

SEC. 23. *And be it further enacted*, That after any such association shall have caused its promise to pay such notes on demand to be signed by the president or vice-president and cashier thereof, in such manner as to make them obligatory promissory notes, payable on demand, at its place of business, such association is hereby authorized to issue and *circulate the same as money*; and the same shall be received at par in all parts of the United States in payment of taxes, excises, public lands, and all other dues to the United States, except for duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on the public debt, and in redemption of the national currency. And no such association shall issue post notes or any other notes to circulate as money than such as are authorized by the foregoing provisions of this act.

SEC. 30. *And be it further enacted*, That every association may take, receive, reserve, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidences of debt, interest at the rate allowed by the laws of the State or Territory where the bank is located, and no more, except that where by the laws of any State a different rate is limited for banks of issue organized under State laws the rate so limited shall be allowed for associations organized in any such State under this act. And when no rate is fixed by the laws of the State or Territory, the bank may take, receive, reserve, or charge a rate not exceeding seven per centum, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run. And the knowingly taking, receiving, reserving, or charging a rate of interest greater than aforesaid shall be held and adjudged a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. And in case a greater rate of interest has been paid, the person or persons paying the same, or their legal representatives may recover back, in any action of debt, twice the amount of the interest thus paid from the association taking or receiving the same: *Provided*, That such action is commenced within two years from the time the usurious transaction occurred. But the purchase, discount, or sale of a *bona fide* bill of exchange, payable at another place than the place of such purchase, discount, or sale, at not more than the current rate of exchange for sight drafts in addition to the interest, shall not be considered as taking or receiving a greater rate of interest.

SEC. 31. *And be it further enacted*, That every association in the cities hereinafter named shall, at all times, have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of the aggregate amount of its notes in circulation and its deposits; and every other association shall, at all times, have on hand, in lawful money of the United States, an amount equal to at least fifteen per centum of the aggregate amount of its notes in circulation and of its deposits.

SEC. 41. . . . And in lieu of all existing taxes every association shall pay to the Treasurer of the United States, in the months of January and July, a duty of one half of one per centum each half-year from and after the first day of January, eighteen hundred and sixty-four, upon the average amount of its notes in circulation, and a duty of one quarter of one per centum each half-year upon the average amount of its deposits, and a duty of one quarter of one per centum each half-year, as aforesaid, on the average amount of its capital stock beyond the amount invested in United States bonds; and in case of default in the payment thereof of any association, the duties aforesaid may be collected in the manner provided for the collection of United States duties of other corporations, or the Treasurer may reserve the amount of said duties out of the interest, as it may become due, on the bonds deposited with him by such defaulting association. And it shall be the duty of each association, within ten days from the first days of January and July of each year, to make a return, under the oath of its president or cashier, to the Treasurer of the United States, in such form as he may prescribe, of the average amount of its notes in circulation, and of the average amount of its deposits, and of the average amount of its capital stock, beyond the amount invested in United States bonds, for the six months next preceding said first days of January and July as aforesaid, and in default of such return, and for each default thereof, each defaulting association shall forfeit and pay to the United States the sum of two hundred dollars, to be collected either out of the interest as it may become due such association on the bonds deposited with the Treasurer, or, at his option, in the manner in which penalties are to be collected of other corporations under the laws of the United States; and in case of such default the amount of the duties to be paid by such association shall be assessed upon the amount of notes delivered to such association by the Comptroller of the Currency, and upon the highest amount of its deposits and capital stock, to be ascertained in such other manner as the Treasurer may deem best: *Provided*, That nothing in this act shall be construed to prevent all the shares in any of the said associations, held by any person or body corporate, from being included in the valuation of the personal property of such person or corporation in the assessment of taxes imposed by or under State authority at the place where such bank is located, and not elsewhere, but not at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such State: *Provided, further,* That the tax so imposed under the laws of any State upon the shares of any of the associations authorized by this act shall not exceed the rate imposed upon the shares in any of the banks organized under authority of the State where such association is located: *Provided, also,* That nothing in this act shall exempt the real estate of associations from either State, county, or municipal taxes to the same extent, according to its value, as other real estate is taxed.

SEC. 45. *And be it further enacted,* That all associations under this act, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public moneys and financial agents of the Government, as may be required of them. And the Secretary of the Treasury shall require of the associations thus designated satisfactory security, by the deposit of United States bonds and otherwise, for the safe keeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government: *Provided,* That every association which shall be selected and designated as receiver or depositary of the public money shall take and receive at par all of the national currency bills, by whatever association issued, which have been paid in to the Government for internal revenue or for loans or stocks.

The banks suspended specie payments in the latter part of December, 1861, forcing the Government to rely upon its own resources exclusively for funds to carry on a great war, and from that time forward every dollar of money used by the Government and by the people in all of their multitudinous transactions was paper money. No gold or silver was used, except in the matter of the payment of customs dues and interest on the public debt, and the coin used for those particular purposes had to be purchased largely from men who made a business of buying and selling gold as men made a business of buying and selling wheat and corn, and when the war closed there was upward of $1,500,000,000 of the people's money afloat in business affairs without any coin whatever. Under the acts of 1865 and 1866, before cited, the Secretary of the Treasury began a wholesale withdrawal, and in the course of three years he had withdrawn from circulation over $800,000,000. This question of whether the obligations of the people were to be changed after the war was submitted to a committee of Congress, at the head of which was Hon. John Sherman, of Ohio. A long report was made upon the subject, and in the report that distinguished financier shows very plainly, from the acts of Congress and from the manner of dealing among the people in their ordinary business, that there was at no time any disposition upon the part of Congress or of the people to pay anything except paper money for any of their obligations, unless there was a specific arrangement of that kind in the contract. It was assumed that the people were willing to pay gold when they had promised to pay paper, and Congress acted accordingly. The first act which President Grant approved was the act to strengthen the public credit. It is given in full as follows:

CHAP. I.—An Act to strengthen the public credit.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That in order to remove any doubt as to the purpose of the Government to discharge all just obligations to the public creditors, and to settle conflicting questions and interpretations of the laws by virtue of which such obligations have been contracted, it is hereby provided and declared that the faith of the United States is solemnly pledged to the payment in coin or its equivalent of all the obligations of the United States not bearing interest, known as United States notes, and of all the interest-bearing obligations of the United States, except in cases where the law authorizing the issue of any such obligation has expressly provided that the same may be paid in lawful money or other currency than gold and silver. But none of said interest-bearing obligations not already due shall be redeemed or paid before maturity unless at such time United States notes shall be convertible into coin at the option of the holder, or unless at such time bonds of the United States bearing a lower rate of interest than the bonds to be redeemed can be sold at par in coin. And the United States also solemnly pledges its faith to make provision at the earliest practicable period for the redemption of the United States notes in coin.

Approved, March 18, 1869.

That was followed the next year by the funding act, approved July 14, 1870.

An Act to authorize the refunding of the national debt.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Secretary of the Treasury is hereby authorized to issue, in a sum or sums not exceeding in the aggregate two hundred million dollars, coupon or registered bonds of the United States, in such form as he may prescribe, and of denominations of fifty dollars, or some multiple of that sum, redeemable in coin of the present standard value, at the pleasure of the United States, after ten years from the date of their issue, and bearing interest, payable semi-annually in such coin, at the rate of five per cent per annum; also a sum or sums not exceeding in the aggregate three hundred million dollars of like bonds, the same in all respects, but payable at the pleasure of the United States, after fifteen years from the date of their issue, and bearing interest at the rate of four and a half per cent per annum; also a sum or sums not exceeding in the aggregate one thousand million dollars of like bonds, the same in all respects, but payable at the pleasure of the United States, after thirty years from the date of their issue, and bearing interest at the rate of four per cent per annum; all of which said several classes of bonds and the interest thereon shall be exempt from the payment of all taxes or duties of the United States, as well as from taxation in any form by or under State, municipal, or local authority; and the said bonds shall have set forth and expressed upon their face the above-specified conditions, and shall, with their coupons, be made payable at the Treasury of the United States. But nothing in this act, or in any other law now in force, shall be construed to authorize any increase whatever of the bonded debt of the United States.

## Amendatory act, January 20, 1871.

An Act to amend an act entitled "An Act to authorize the refunding of the national debt."

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the amount of bonds authorized by the act approved July fourteen, eighteen hundred and seventy, entitled "An Act to authorize the refunding of the national debt," to be issued bearing five per centum interest per annum, be, and the same is, increased to five hundred millions of dollars, and the interest of any portion of the bonds issued under said act, or this act, may, at the discretion of the Secretary of the Treasury, be made payable quarter-yearly: *Provided, however,* That this act shall not be construed to authorize any increase of the total amount of bonds provided for by the act to which this act is an amendment.

When the year 1873 came, and with it the general financial storm which swept away fortunes and impoverished millions of our people through a depreciation of the values of their property consequent upon an excessive contraction of the currency, while at the same time population had increased 15 per cent and the volume of business 40 to 50 per cent; when the business of the people required more money instead of less money for its proper transaction, and when, instead of having more they had 56 per cent less, Congress, by an act passed the 12th day of February, 1873, revised the coinage laws, dropping the silver dollar entirely out of the list of coins of the United

States, at one stroke taking away from the people one half of their full legal-tender money. The same act provided that the gold dollar should be the unit of value.

The following sections show how easily and smoothly the great wrong was perpetrated:

> Sec. 45. That the gold coins of the United States shall be a one-dollar piece, which, at the standard weight of twenty-five and eight tenths ($25^8/_{10}$) grains shall be the *unit of value*; a quarter-eagle, or two-and-a-half-dollar piece; a three-dollar piece; a half-eagle or five-dollar piece. . . . [And several other pieces.—ED.]
>
> Sec. 46. The silver coins of the United States shall be a *trade dollar*, a half-dollar, a quarter-dollar, a dime. And the weight of the *trade dollar shall be four hundred and twenty* (420) *grains troy*; the weight of the half-dollar shall be twelve *grammes* and one half of a *gramme;* the quarter-dollar and the dime shall be respecctively one half and one fifth the weight of said half-dollar; and said coins shall be a legal tender at their nominal value for any amount not exceeding five dollars in any one payment.
>
> Sec. 49. *No coins, either of gold, silver, or minor coinage, shall hereafter be issued from the mint other than those of the denominations, standards, and weights set forth in this title.*

The people, then, having fairly entered on a period of stagnation and general business depression, kept along that line until the passage of the Resumption Act in 1875, and the coming of the time to resume on the 1st of January, 1879. The Resumption Act is as follows:

> An act to provide for the resumption of specie payments.
>
> *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Secretary of the Treasury is hereby authorized and required, as rapidly as practicable, to cause to be coined, at the mints of the United States, silver coins of the denominations of ten, twenty-five, and fifty cents, of standard value, and to issue them in redemption of an equal number and amount of fractional currency of similar denominations, or, at his discretion, he may issue such silver coins through the mints, the sub-treasuries, public depositories, and

post-offices of the United States; and, upon such issue, he is hereby authorized and required to redeem an equal amount of such fractional currency, until the whole amount of such fractional currency outstanding shall be redeemed.

SEC. 2. That so much of section three thousand five hundred and twenty-four of the Revised Statutes of the United States as provides for a charge of one fifth of one per centum for converting standard gold bullion into coin is hereby repealed; and hereafter no charge shall be made for that service.

SEC. 3. That section five thousand one hundred and seventy-seven of the Revised Statutes, limiting the aggregate amount of circulating notes of national banking associations, be, and is hereby, repealed; and each existing banking association may increase its circulating notes in accordance with existing law without respect to said aggregate limit; and new banking associations may be organized in accordance with existing law without respect to said aggregate limit; and the provisions of law for the withdrawal and redistribution of national-bank currency among the several States and Territories are hereby repealed. And whenever, and so often, as circulating notes shall be issued to any such banking association, so increasing its capital or circulating notes, or so newly organized as aforesaid, it shall be the duty of the Secretary of the Treasury to redeem the legal-tender United States notes in excess only of three hundred million dollars, to the amount of eighty per centum of the sum of national-bank notes so issued to any such banking association as aforesaid, and to continue such redemption as such circulating notes are issued until there shall be outstanding the sum of three hundred million dollars of such legal-tender United States notes, and no more. And on and after the first day of January, anno Domini, eighteen hundred and seventy-nine, the Secretary of the Treasury shall redeem, in coin, the United States legal-tender notes then outstanding, on their presentation for redemption at the office of the assistant treasurer of the United States in the city of New York, in sums of not less than fifty dollars. And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues, from time to time, in the Treasury not otherwise appropriated, and to issue, sell, and dispose of, at not less than par, in coin, either of the descriptions of bonds of the United

States described in the act of Congress approved July fourteenth, eighteen hundred and seventy, entitled "An act to authorize the refunding of the national debt," with like qualities, privileges, and exemptions, to the extent necessary to carry this act into effect, and to use the proceeds thereof for the purposes aforesaid. And all provisions of law inconsistent with the provisions of this act are hereby repealed.

Approved January 14, 1875.

# CHAPTER VIII.

## DECLINE OF VALUES FROM 1869 TO 1878.

THE condition of the country in 1878, the last year of that dreadful period of depression, may be gathered from the following exhibit of production and prices:

TABLE XIV.—*Showing production and prices of cereal crops in the United States from 1867 to 1878.*

[From the Annual Reports of the Department of Agriculture.]

CORN.

| CALENDAR YEAR. | Total production. | Total area of crop. | Total value of crop. | Average value per bushel. | Average yield per acre. | Average value of yield per acre. |
|---|---|---|---|---|---|---|
| | *Bushels.* | *Acres.* | *Dollars.* | *Cents.* | *Bushels* | *Dollars* |
| 1869........ | 874,520,000 | 37,163,245 | 658,532,700 | 75.3 | 23.6 | 17 75 |
| 1870........ | 1,094,255,000 | 38,646,977 | 601,839,030 | 54.9 | 28.3 | 15 57 |
| 1871........ | 991,898,000 | 34,091,137 | 478,275,900 | 48.2 | 29.1 | 14 02 |
| 1872........ | 1,092,719,000 | 35,526,836 | 435,149,290 | 39.8 | 30.7 | 12 24 |
| 1873........ | 932,274,000 | 39,197,148 | 447,183,020 | 48.0 | 23.8 | 11 41 |
| 1874........ | 850,148,500 | 41,036,918 | 550,043,080 | 64.7 | 20.7 | 13 40 |
| 1875........ | 1,321,069,000 | 44,841,371 | 555,445,930 | 42.0 | 29.4 | 12 38 |
| 1876........ | 1,283,827,500 | 49,033,364 | 475,491,210 | 37.0 | 26.1 | 9 69 |
| 1877........ | 1,342,558,000 | 50,369,113 | 480,643,400 | 35.8 | 26.6 | 9 54 |
| 1878........ | 1,388,218,750 | 51,585,000 | 441,153,405 | 31.8 | 26.9 | 8 55 |
| WHEAT. | | | | | | |
| 1869........ | 260,146,900 | 19,181,004 | 244,924,120 | 94.1 | 13.5 | 12 76 |
| 1870........ | 235,884,700 | 18,992,591 | 245,865,045 | 104.2 | 12.4 | 12 94 |
| 1871........ | 230,722,400 | 19,943,893 | 290,411,820 | 125.8 | 11.5 | 14 56 |
| 1872........ | 249,997,100 | 20,858,359 | 310,180,375 | 124.0 | 11.9 | 14 87 |
| 1873........ | 281,254,700 | 22,171,676 | 323,594,805 | 115.0 | 12.7 | 14 59 |
| 1874........ | 308,102,700 | 24,967,027 | 291,107,895 | 94.1 | 12.3 | 11 66 |
| 1875........ | 292,136,000 | 26,381,512 | 294,580,990 | 100.0 | 11.0 | 11 16 |
| 1876........ | 289,956,500 | 27,627,021 | 300,259,300 | 103.6 | 10.5 | 10 86 |
| 1877........ | 364,194,146 | 26,277,546 | 394,695,779 | 108.2 | 13.9 | 15 02 |
| 1878........ | 420,122,400 | 32,108,560 | 326,346,424 | 77.7 | 13.1 | 10 16 |

## RYE.

| CALENDAR YEAR | Total production. | Total area of crop. | Total value of crop. | Average value per bushel. | Average yield per acre. | Average value of yield per acre. |
|---|---|---|---|---|---|---|
| | *Bushels.* | *Acres.* | *Dollars.* | *Cents.* | *Bushels* | *Dollars* |
| 1867........ | 23,184,000 | 1,689,175 | 32,499,700 | 140.2 | 13.7 | 19 24 |
| 1868........ | 22,504,800 | 1,651,321 | 28,683,677 | 127.4 | 13.6 | 17 37 |
| 1869........ | 22,527,900 | 1,657,584 | 21,877,294 | 97.1 | 13.5 | 13 20 |
| 1870........ | 15,473,600 | 1,176,137 | 12,612,605 | 85.5 | 13.1 | 10 72 |
| 1871........ | 15,365,500 | 1,069,531 | 12,145,646 | 79.0 | 14.3 | 11 35 |
| 1872........ | 14,888,600 | 1,048,654 | 11,363,693 | 76.3 | 14.1 | 10 84 |
| 1873........ | 15,142,000 | 1,150,355 | 11,548,126 | 76.2 | 13.1 | 10 04 |
| 1874 ...... .. | 14,990,900 | 1,116,716 | 12,870,411 | 85.8 | 13.4 | 11 52 |
| 1875........ | 17,722,100 | 1,359,788 | 13,631,900 | 76.9 | 13.0 | 10 02 |
| 1876........ | 20,374,800 | 1,468,374 | 13,635,826 | 66.9 | 13.8 | 9 28 |
| 1877........ | 21,170,100 | 1,412,902 | 12,542,895 | 59.2 | 14.9 | 8 87 |
| 1878........ | 25,842,790 | 1,622,700 | 13,592,826 | 52.6 | 15.9 | 8 38 |

## OATS.

| | | | | | | |
|---|---|---|---|---|---|---|
| 1867........ | 278,698,000 | 10,746,416 | 172,472,970 | 61.9 | 25.9 | 16 05 |
| 1868........ | 254,960,800 | 9,665,736 | 142,484,910 | 55.9 | 26.3 | 14 74 |
| 1869........ | 288,334,000 | 9,461,441 | 136,347,000 | 47.6 | 30.4 | 14 51 |
| 1870........ | 247,277,400 | 8,792,395 | 107,136,710 | 43.3 | 28.1 | 12 18 |
| 1871........ | 255,743,000 | 8,365,809 | 102,570,030 | 40.1 | 30.5 | 12 26 |
| 1872........ | 271,747,000 | 9,000,769 | 91,315,710 | 33.6 | 30.1 | 10 14 |
| 1873........ | 270,340,000 | 9,751,700 | 101,175,750 | 37.4 | 27.7 | 10 37 |
| 1874........ | 240,369,000 | 10,897,412 | 125,047,530 | 52.0 | 22.0 | 11 47 |
| 1875........ | 354,317,500 | 11,915,075 | 129,499,930 | 36.5 | 29.7 | 10 86 |
| 1876........ | 320,884,000 | 13,358,908 | 112,865,900 | 35.1 | 24.0 | 8 44 |
| 1877........ | 406,394,000 | 12,826,148 | 118,661,550 | 29.2 | 31.6 | 9 25 |
| 1878........ | 413,578,560 | 13,176,500 | 101,945,830 | 24.6 | 31.4 | 7 74 |

## BARLEY.

| | | | | | | |
|---|---|---|---|---|---|---|
| 1867........ | 25,727,000 | 1,131,217 | 22,850,130 | 88.8 | 22.7 | 20 00 |
| 1868 ........ | 22,896,100 | 937,498 | 29,809,931 | 130.2 | 24.4 | 31 79 |
| 1869........ | 28,652,200 | 1,025,795 | 23,387,909 | 81.6 | 27.9 | 22 79 |
| 1870........ | 26,295,400 | 1,108,924 | 22,244,584 | 84.5 | 23.7 | 20 05 |
| 1871... .... | 26,718,500 | 1,177,666 | 21,541,777 | 80.6 | 22.6 | 18 29 |
| 1872........ | 26,846,400 | 1,397,082 | 19,837,773 | 73.9 | 19.2 | 14 20 |
| 1873........ | 32,044,491 | 1,387,106 | 29,333,529 | 91.5 | 23.1 | 21 15 |
| 1874........ | 32,552,500 | 1,580,626 | 29,983,769 | 92.1 | 20.6 | 18 97 |
| 1875........ | 36,908,600 | 1,789,902 | 29,952,082 | 81.3 | 20.6 | 16 73 |
| 1876........ | 38,710,500 | 1,766,511 | 25,735,110 | 66.4 | 21.9 | 14 57 |
| 1877........ | 34,441,400 | 1,614,654 | 22,028,644 | 64.0 | 21.3 | 13 64 |
| 1878........ | 42,245,630 | 1,790,400 | 24,483,315 | 58.0 | 23.6 | 13 67 |

## BUCKWHEAT.

| | | | | | | |
|---|---|---|---|---|---|---|
| 1867........ | 21,359,000 | 1,227,826 | 23,469,650 | 109.9 | 17.4 | 19 11 |
| 1868........ | 19,863,700 | 1,113,993 | 20,814,315 | 104.8 | 17.8 | 18 68 |
| 1869........ | 17,431,100 | 1,028,693 | 15,814,265 | 90.7 | 16.9 | 15 37 |
| 1870 ........ | 9,841,500 | 536,992 | 7,725,044 | 78.4 | 18.3 | 14 38 |
| 1871........ | 8,328,700 | 413,915 | 6,900,268 | 82.8 | 20.1 | 16 67 |
| 1872........ | 8,133,500 | 448,497 | 6,747,618 | 82.9 | 18.1 | 15 04 |

## BUCKWHEAT—*Continued.*

| CALENDAR YEAR. | Total production. | Total area of crop. | Total value of crop. | Average value per bushel | Average yield per acre. | Average value of yield per acre. |
|---|---|---|---|---|---|---|
| | *Bushels.* | *Acres.* | *Dollars.* | *Cents.* | *Bushels* | *Dollars* |
| 1873 | 7,837,700 | 454,152 | 6,382,043 | 81.4 | 17.2 | 14 05 |
| 1874 | 8,016,600 | 452,590 | 6,477,885 | 80.8 | 17.7 | 14 31 |
| 1875 | 10,082,100 | 575,530 | 7,166,267 | 71.0 | 17.5 | 12 45 |
| 1876 | 9,668,800 | 666,441 | 7,021,498 | 72.6 | 14.5 | 10 53 |
| 1877 | 10,177,000 | 649,923 | 6,998,810 | 68.7 | 15.6 | 10 76 |
| 1878 | 12,246,820 | 673,100 | 6,454,120 | 52.7 | 18.2 | 9 59 |

## *Total cereal production of the United States from 1867 to 1878.*

### RECAPITULATION.

| CALENDAR YEAR. | Total production. | Total area of crops. | Total value of crops. |
|---|---|---|---|
| | *Bushels.* | *Acres.* | *Dollars.* |
| 1867 | 1,329,729,400 | 65,636,444 | 1,284,037,300 |
| 1868 | 1,450,789,000 | 66,715,926 | 1,110,500,583 |
| 1869 | 1,491,612,100 | 69,457,762 | 1,101,884,188 |
| 1870 | 1,629,027,600 | 69,254,016 | 997,423,018 |
| 1871 | 1,528,776,100 | 65,061,951 | 911,845,441 |
| 1872 | 1,664,331,600 | 68,280,197 | 874,594,459 |
| 1873 | 1,538,892,891 | 74,112,137 | 919,217,273 |
| 1874 | 1,454,180,200 | 80,051,289 | 1,015,530,570 |
| 1875 | 2,032,235,300 | 86,863,178 | 1,030,277,099 |
| 1876 | 1,963,422,100 | 93,920,619 | 935,008,844 |
| 1877 | 2,178,934,646 | 93,150,286 | 1,035,571,078 |
| 1878 | 2,302,254,950 | 100,956,260 | 913,975,920 |

# CHAPTER IX.

## CONTRACTION OF THE CURRENCY.

GREAT as is the absorbing power of interest, and high as the nominal rates have been, the burden of our debts—national, State, municipal, and individual—has been increased at least 50 per cent by reason of the contraction of our circulating money volume, which has been at least 50 per cent absolutely and 75 per cent relatively since the great war. At the beginning of the fiscal year (July 1) 1866 the amount of paper money in circulation in the United States was $2,122,437,841.12. During the year, as appears from the report of the Secretary of the Treasury for 1866, at page 164, $211,239,515.41 was "retired, counted, and destroyed," as follows:

| | |
|---|---|
| Old issue demand notes | $200,440 75 |
| New issue legal-tender notes | 6,764,370 65 |
| One-year 5-per-cent notes | 6,316,104 50 |
| Two-year 5-per-cent notes | 2,506,427 50 |
| Two-year 5-per-cent coupon notes | 33,363,097 50 |
| Six-per-cent compound-interest notes | 81,246,829 00 |
| Gold certificates | 64,913,800 00 |
| First issue fractional currency | 2,897,307 88 |
| Second issue fractional currency | 7,598,479 78 |
| Third issue fractional currency | 5,414,844 49 |
| Discounted on above for mutilations | 17,813 36 |
| | $211,239,515 41 |

During the year $181,096,804 was retired from circulation, but not destroyed, as appears from page 168 of the same report, as follows:

| | |
|---|---|
| Demand notes redeemable in coin | $288,121 |
| One-year 5-per-cent notes | 2,151,287 |
| Two-year 5-per-cent notes | 5,209,335 |
| Two-year 5-per-cent coupon notes | 1,078,550 |
| Three-year compound-interest notes | 172,369,511 |
| | $181,096,804 |

On the 30th day of June, 1866, as appears on pages 25 and 26 of the report, the amount of Government paper money out was $1,550,506,311.61, as follows:

| | |
|---|---|
| Compound-interest notes due 1867–'68 | $159,012,140 00 |
| Treasury notes, 7-30's, due 1867–'68 | 806,251,550 00 |
| Temporary loan, ten day's notice | 120,176,196 65 |
| Certificates of indebtedness past due | 26,391,000 00 |
| United States notes | 400,891,368 00 |
| Fractional currency | 27,070,876 96 |
| Gold certificates of deposit | 10,713,180 00 |
| | $1,550,506,311 61 |

At the beginning of the year the amount of national-bank notes out, as appears from the Treasurer's report, was $179,595,210. Adding these several amounts together, we have a total of paper money out on the 1st day of July, 1866, of $2,122,437,841.02, as above stated.

The population of the country in 1866 was 36,000,000 in round numbers. The circulation at the beginning of the year was, therefore, equal to $58.95 per capita. Excluding national-bank notes, the per capita circulation of Government paper alone, at the beginning of the fiscal year 1865 (July 1st), was $53.90. At the end of the year (June 30, 1866), the circulation, including bank notes, amounted to $55.80 per capita; excluding bank notes it was $48.

In the statement of the public debt found on pages 41 and 43 of the report (1866) it appears that the amount of 5-20 bonds outstanding June 30, 1866, was $722,205,500 By reference to page xvi of Finance Report for 1869, it will be seen that the amount of 5-20 bonds on the 1st day of December, 1869, had increased to $1,602,671,100, showing an absorption of currency in the three years equal to $880,465,600, leaving Government paper circulation at the end of the year 1869, $670,040,711, equal to $17.85 to the head of population. Adding national-bank notes out ($299,789,895) to the Government paper, we have $969,-830,606, a per capita circulation of $25.86 September 30, 1869.*

On the 14th day of June, 1870, a general funding act was approved:

SEC. 1. That the Secretary of the Treasury is hereby authorized to issue, in a sum or sums not exceeding in the aggregate two hundred million dollars, coupon or registered bonds of the United States, in such form as he may prescribe, and of denominations of fifty dollars, or some multiple of that sum, redeemable in coin of the present standard value, at the pleasure of the United States, after ten years from the date of their issue, and bearing interest, payable semi-annually in such coin, at the rate of five per cent per annum; also a sum or sums not exceeding in the aggregate three hundred million dollars of like bonds, the same in all respects, but payable at the pleasure of the United States, after fifteen years from the date of their issue, and bearing interest at the rate of four and a half per cent per annum; also a sum or sums not exceeding in the aggregate one thousand million dollars of like bonds, the same in all respects, but payable at the pleasure of the United States, after thirty years from the date of their issue, and bearing interest at the rate of four per cent. per annum; all of which said several classes of bonds and the interest thereon shall be exempt from the payment of all taxes or duties of the United States, as well as from taxation in any form by or under State, municipal, or local authority; and the said bonds shall have set forth and expressed upon their face the above specified conditions, and shall, with their coupons, be made payable at the Treasury of the United States. But nothing in this act, or in any other law now in force, shall be construed to authorize any increase whatever of the bonded debt of the United States.

---

* The estimate here given of currency in circulation in 1869 may be too large by $238,178,948—the difference between $670,040,711, the amount above given, and $431,861,763, the amount given by the Secretary as the aggregate non-interest-bearing debt.

SEC. 2. That the Secretary of the Treasury is hereby authorized to sell and dispose of any of the bonds issued under this act, at not less than their par value for coin, and to apply the proceeds thereof to the redemption of any of the bonds of the United States outstanding, and known as five-twenty bonds at their par value, or he may exchange the same for such five-twenty bonds, par for par; but the bonds hereby authorized shall be used for no other purpose whatsoever. And a sum not exceeding one half of one per cent. of the bonds herein authorized is hereby appropriated to pay the expense of preparing, issuing, advertising, and disposing of the same.

This was followed by an act approved January 20, 1871, as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the amount of bonds authorized by the act approved July fourteen, eighteen hundred and seventy, entitled "An act to authorize the refunding of the national debt," to be issued bearing five per centum interest per annum, be, and the same is, increased to five hundred millions of dollars, and the interest of any portion of the bonds issued under said act, or this act, may, at the discretion of the Secretary of the Treasury, be made payable quarter-yearly: *Provided, however*, That this act shall not be construed to authorize any increase of the total amount of bonds provided for by the act to which this act is an amendment.

Approved, January 20, 1871.

The condition of business in the country during the years included in this period of currency contraction may be inferred from the following:

TABLE XV.—*Showing number and amount of business failures in the United States in the years named.*

| YEAR. | IN NORTHERN STATES. | | IN ALL THE STATES. | |
|---|---|---|---|---|
| | Number. | Liabilities. | Number. | Liabilities. |
| 1865 | 530 | $17,625,000 | ..... | .......... |
| 1866 | 632 | 47,333,000 | 1,505 | $53,783,000 |
| 1867 | 2,386 | 86,218,000 | 2,780 | 96,666,000 |
| 1868 | ..... | .......... | 2,608 | 63,694,000 |
| 1869 | ..... | .......... | 2,799 | 75,054,000 |
| 1870 | ..... | .......... | 3,551 | 88,242,000 |
| 1871 | ..... | .......... | 2,915 | 85,252,000 |
| 1872 | ..... | .......... | 4,069 | 121,036,000 |
| 1873 | ..... | .......... | 5,183 | 228,499,000 |

—*American Almanac*, 1889, page 48.

Concerning the business situation in 1873, the Secretary of the Treasury, in his report for that year, at page xii, said: "The suspension of certain large banking houses, the first of which occurred on the 18th day of September, alarmed the people as to the safety of banks and banking institutions in general. Suddenly there began a rapid calling in of demand loans and a very general run on the banks for the withdrawal of deposits. Entire confidence was manifested in United States notes, and even in national-bank notes, and they were drawn wherever they could be obtained, and were largely hoarded with as much avidity as coin was ever hoarded in times of financial distress when that was the circulating medium of the country. The banks found themselves unable to meet the demands upon them, currency in circulation became exceedingly scarce, and the business of the country became greatly embarrassed.

"In this condition of things, great pressure was brought to bear upon the Treasury Department to afford relief by the issue of United States notes. The first application came from a number of gentlemen in New York, suggesting that no measure of relief would be adequate that did not place at the service of the banks of that city twenty million dollars in United States notes, and asking that the assistant treasurer at New York should be authorized to issue to those banks that amount of notes as a loan upon a pledge of clearing-house certificates secured by ample collaterals, and for which certificates all the banks were to be jointly and severally responsible. . . . Exchange on Europe having fallen to unusually low rates, and, indeed, having become almost unsalable in the market, to the embarrassment of our foreign and domestic trade, applications were made to the Secretary of the Treasury to use the money in the Treasury in the purchase of exchange. . . . Subsequently the New York Produce Exchange made a proposition to accomplish the same result in a different form, and also requested, as others had before, that the Secretary should pay at once the twenty million loan of 1858."

On page xv the Secretary said: "It should be stated that in the excitement there were many persons in the city of New York who insisted with great earnestness that it was the duty of the Executive to disregard any and all laws which stood in the way of affording the relief suggested by them—a proposition which indicates the state of feeling and the excitement under which applications were made to the Secretary of the Treasury to use the public money." And again, on the same page as above: "The Executive Department of the Government was anxious to do everything in its power, under the law, and with due regard to the protection of the Treasury and the maintenance of the public credit, to allay the panic and prevent disaster to the legitimate commercial and industrial interests of the country; but it was found impossible to afford the relief in any of the many forms in which that relief was asked. It was decided, therefore, to adopt the only practicable course which seemed to be opened to it, the purchase of bonds for the sinking fund to such an extent as the condition of the Treasury would allow, and thus release a considerable amount of currency from its vaults."

Under that decision thirteen million dollars of bonds were bought, "without the use of any part of the forty-four millions of United States notes, generally known as the reserve."

The contraction of the currency volume from the beginning of the fiscal year 1867 (July 1, 1866) to the first day of December, 1873, was $881,265,600, or 56 per cent, taking the figures first above given. While that process was going on the volume of business was constantly increasing, as the following brief exhibit shows:

*Foreign commerce.*

1866—$880,415,751.
1873—$1,270,705,643.

*Wheat produced.*

1869—260,146,900 bushels.
1873—281,254,700 bushels.

*Corn produced.*

1869—874,520,000 bushels.
1873—932,274,000 bushels.

*Miles of railroads built.*

1867—2,449 miles.
1873—4,097 miles.

# CHAPTER X.

## EFFECT OF CONTRACTION.

From this state of facts it must be evident to all studious persons that a rate of interest equal to 10 per cent in 1866 was equal to 20 per cent in 1873. It was because of the withdrawal from circulation of so large a part of the currency that business became stagnant, trade paralyzed, and bankruptcy overtook the people. It was a perilous journey to take, but our statesmen entered upon it deliberately, plainly foreseeing and frankly foretelling the dreadful consequences, well knowing that ruin would follow in their wake. Creditors alone would profit by the wreckage, for they would absorb every dollar that debtors would lose. Nothing is better settled in political economy than that a long-continued diminution of the currency volume leads to disaster. This has been the universal experience of men. Our public men understood it well, and they gave warning of the coming destruction. Senator Sherman, in an able argument delivered in the Senate on a bill relating to the public debt and the currency, as printed on page 628 of the *Congressional Globe*, under date January 27, 1869, told the people what was coming. Here are some extracts:

> Practically, any law requiring a resumption of specie payments is a law adding to the amount of a currency debt the full depreciation of the currency, unless you either scale the debt or allow the parties to adjust the matter between themselves. . . . All contracts

to pay money are contracts for the delivery of gold, and a contract in currency is only a contract to pay an indefinite amount of gold, depending upon the uncertain depreciation of the currency at the time of the payment.

Page 629.—But the distress caused by an appreciation of the currency falls mainly on the debtor class; others suffer only by reason of his inability to pay. What does specie payments mean to a debtor? It means the payment of $135 where he has agreed to pay $100, or, which is the same thing, the payment of $100 where he has agreed to pay $74. Where he has purchased property and paid one fourth of it, it means the loss of the property; it means the addition of one fourth to all currency debts in the United States. A measure to require a debtor now to pay his debt in gold, or currency equivalent to gold, requires him to pay 135 bushels of wheat when he agreed to pay 100, and if this appreciation is extended through a period of three years it requires him to pay an interest of 12 per cent in addition to the rate he has agreed to pay. When we consider the enormous indebtedness of a new country like ours, where capital is scarce, and where credit has been substituted in the place of capital, it presents a difficulty that may well cause us to pause. We may see that the chasm must be crossed, but it will make us wary of our footsteps. Good faith and public policy demand that we appreciate our currency to gold, but in the process we must be careful that bankruptcy, distress, and want do not fall upon our fellow-citizens, who have based their obligations on your broken promises. The debtors of this country include the active, enterprising, energetic men in all the various employments of life. It is a serious proposition to change their contracts so as in effect to require them to pay one third more than they agreed to pay. They have not paused in their business to study questions of political economy. They have based their operations upon this money which you have declared to be lawful money. You may change its relative value, but in doing so you should give them a reasonable opportunity to change their contracts so as to adapt them to the new standards of value you may prescribe for them. . . . The appreciation of the currency is a far more distressing operation than Senators may suppose. Our own and other nations have gone through this process before, and always with the sorest distress. . . . To every bank it means the necessity of paying $150 for one hundred of its notes and deposits, except so far as the bank may transfer this to its debtors. It means the ruin of all dealers whose debts are twice their capital though one third less than their property. It means the fall of all agricultural productions without any very great reduction of taxes. To attempt this task suddenly by a surprise upon our people, by at once paralyzing their industry, by arresting them in the midst of lawful business and applying a new standard of value to their property without any reduction of their debt or giving them an opportunity to compound with their creditors or distribute their loss, would be an act of folly without example in evil in modern times.

It is sometimes said that we did this in the passage of the legal-tender act; that we inflicted the same loss on the creditor that we now deprecate for the debtor. This is not true. The effect of the legal-tender act was undoubtedly to depreciate our notes, but the process was very slow and gradual. For more than a year it scarcely operated as a depreciation, and during all the time the capital paid off by depreciated notes was invested in bonds, bank stock, railroads, and manufacturing pursuits created by the war, which yielded as much in gold as capital produced before the war. Capital lost nothing by the war, even when paid in greenbacks, for the demands for capital during the war made ample amends for the loss by the depreciation in greenbacks. It is estimated that the interest-bearing capital of this country now is, upon the gold basis, more than double the capital in 1860. And if it be true that appreciation now will only work the same injury to the debtor that depreciation did to the creditor, we would not be justified in peace in inflicting the same injuries justified by war; and the creditor, who is usually the holder of property, is better able to bear the loss of a portion of the money due him than the debtor is to bear an addition to his burden. Our power over the creditor is unlimited. We may levy taxes upon him to any amount, but we have no power to vary a contract or add to the burden of an existing debt. . . .

During the war a greenback would purchase an equal amount of bonds of any character offered in the market. It paid at par for the five-twenties, the ten-forties, and the seven-thirties. It is now less valuable than these bonds only because it is dishonored paper. . . . You give the bond the benefit of the improving credit of the country, but you deny this to the note.

# CHAPTER XI.

## THE BLAND SILVER LAW.

THE people having discovered that silver dollars had been discarded by Congress (it seems that nobody—not even members of Congress nor the President who approved the bill—knew that it was intended to drop silver dollars from the coinage of the country), there was a strong demand for its restoration to its old place in our monetary system. The condition of the people was such that they had little patience with their law makers, and they demanded prompt relief. All that had been predicted concerning business prostration had come to pass ; and when it was found that, in addition to the withdrawal of paper money, Congress had demonetized one of the coins that had descended to us as full legal-tender money from the fathers of the republic, a feeling of indignation grew aggressive among the people. A bill was introduced in Congress in 1876 to remedy the wrong which had been done, but its course was obstructed until early in 1878, when the temper of the people was recognized.*

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* By way of showing the condition of the country and the tension of the public mind at the time, here are extracts from two speeches delivered in the Senate while the silver bill was pending—one of the speakers being a distinguished member of the Democratic party, the other equally distinguished in the Republican party—Messrs. Voorhees, of Indiana, and Ingalls, of Kansas.

Mr. Voorhees (January 14) said: "Sir, thus far I have spoken in pointing out what I conceive to be the ruinous legislation of this country

The silver bill—commonly known as the Bland Bill—which was passed by both houses and vetoed by President Hayes, was reconsidered, passed again by both houses, and became a law February 28, 1878. It provided that the Secretary of the Treasury is authorized and directed to purchase, from time to time, silver bullion, at the market

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on the great and paramount question of its finances. There are two opposing ideas on this subject now thoroughly aroused into vigilance and activity. On the one hand is the vast money power, in all its various developments of bonds, banks, and loaning associations, and on the other are the great industries, the active business, and the laboring people. The issue has been years in making up, but is now joined. Nobody need be deceived. All the wide-spread influences of capital are organized and combined. The holders of public securities in America and in Europe work together. They think and act in concert.

"The national banks of the United States have a solid organization to protect what they have and to get as much as possible. They are asking now to be relieved from paying taxes on their circulation and deposits in order that they may enjoy their enormous profits free from all burdens for the support of the Government.

"Associations of capitalists engaged in obtaining mortgages at 12 per cent interest on Western farms, on account of the scarcity of money in that section, are not only striving to make all such mortgages payable in gold a year hence, but they are threatening those in pecuniary distress that they shall have no further favors at the same rates unless they agree in advance to pay gold in return for greenback loans. The power of money in the midst of times like these is very great; but I am much deceived in the people if they have not turned at last in defiance and bold warning upon their oppressors. They are not in favor of repudiating a single dollar of their public or private debts. They intend to pay everything they owe, but they intend to submit to no more changes of contracts, violations of obligations, and breaches of public faith in order to increase their indebtedness or to take away their means to pay it. They demand, too, that certain specific wrongs shall be redressed."

Mr. Ingalls (February 14) said: "*Our demands for justice have been met with indifference or disdain.* The laborers of the country asking for employment are treated like impudent mendicants begging for bread. The Senator from Connecticut informs us that hundreds of millions of price thereof, not less than two million dollars' worth per month, nor more than four million dollars' worth per month, and cause the same to be coined monthly, as fast as so purchased, into standard dollars.

Resumption was supposed to have taken place on the first day of January, 1879, and on the 30th day of June following the banks had increased their notes to $329,691,697, and the increase was continued four years. At the end of the fiscal year 1882 (June 30th) the amount of bank notes out was $358,742,034. The increase from 1878 added $8,556,937 yearly to the circulation of the country, and the silver coinage under the act of 1878 added about $25,000,000 every year. Small as was the increase of the currency from these two sources, it gave stimulus to trade and prices grew better. Corn sold for 31.8 cents a bushel in 1878; in 1881 the price was 63.6, and in 1882 it was 48.5. Wheat rose from 77.7 cents in 1878 to 88.4 in 1882. (It had been $1.10 in 1879 and $1.19 in 1881.) Trade revived generally; all classes of people felt the good influences of what were believed to be evidences of returning prosperity. In 1882 the national banking law was reenacted, thus continuing the system another twenty years. Government bonds were worth 112 to 121, and banks

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dollars are lying idle in New York and Hartford which can be borrowed, on good security, at 4 per cent, and asks, with something like a sneer, how the coinage of a dollar worth 90 cents will benefit the poor unless they can give good security for their loan. *The laborers of the West do not want to borrow; they want to earn.* They do not wish to pay interest on other people's capital, but to sell their labor, and, if possible, acquire some capital of their own.

"The opening of this era marks the epoch of the emancipation of the West and South from their bondage to the capital of the East, *and in asking the passage of this bill they are asking less than they will ever ask again.*

"When I reflect upon the burdens they have borne, the wrongs they have suffered, I am astonished at their moderation."

began to withdraw their circulation, which process was steadily continued down to the present time. The amount of notes out on the 31st day of October, 1890, was $124,958,736.

The silver law authorized the Secretary of the Treasury to purchase $4,000,000 worth of silver bullion every month and coin it into standard dollars, but that officer and his successors persistently refused to go beyond the minimum limit of the law—$2,000,000 worth—and the actual silver-dollar coinage amounted to a yearly average of only about $25,000,000, less than the annual decrease of the volume of bank-note circulation. The only source of increase in the amount of money in the country was gold coinage, an annual average of about $25,000,000. But there has been no increase of the *circulation.* The amount of money in *actual circulation* among the people is not half as much per capita now as it was in 1878, when it was $17.85. Senator Plumb, in a careful estimate presented to the Senate on the 6th day of June, 1890, put the amount of money "available for delivery or other use in the transaction of the business of all the people" at $550,000,000, "or a trifle over $8 per capita." He added: "If I were deciding this case upon what I consider the best evidence, I would be bound to say that I believed the money in actual circulation did not much, if at all, exceed $500,000,000." While the business of the people has doubled in the last twelve years, and the population has increased at least 30 per cent, our money volume has shrunk from $17.85 per capita to $8. We had gone down far below the danger line in 1878, and the way was strewn with disaster; we have been since following the same perilous way, going deeper and deeper in debt, until now Mr. Porter tells us that during the last ten years 9,000,000 mortgages were put on the lands of our citizens—equal to one for every seven persons—and the average mortgage is about $1,000. The private mortgage debt of the people, judging from census reports thus far published, probably amounts to between $3,000,000,000 and $4,000,000,000, and the average interest rate to the borrower is at least 10 per cent. The owner of the money does not demand or receive more than 7 per cent; the rest is taken by the loan agent. The borrower pays 10 per cent, and has, in thousands of cases, given separate mortgages for the excess above legal rates, or above what the owner of the money receives.

# CHAPTER XII.

## THE HAND OF THE MONEY CHANGER IS ON US.

FROM this array of testimony the reader need have no difficulty in determining for himself "how we got here." The hand of the money changer is upon us. Money dictates our financial policy; money controls the business of the country; money is despoiling the people. The author of *Twenty-eight Years in Wall Street* boasts that in the wonderful commercial and industrial development of the age, and which, he says, exceeds that of all past time since Herodotus wrote, Wall Street was a prime factor. He claims, and truthfully too, that the power of the men who assemble there to catch the driftwood of trade is greater than that of monarchies. He says they "move the money which controls the affairs of the world." We see plainly that behind all the commercial villainies of the time this power rests in placid security while the robbing of the toilers proceeds. These men of Wall Street, posing as missionaries conquering deserts and building republics, men piously assuming universal dominion, religiously dictating the financial policies of nations, moving in an atmosphere of radiant morals, self-appointed philosophers teaching honor and honesty to an ignorant world, these men of fabulous fortunes built upon the ruin of their fellows, are in fact the most audacious gamblers in Christendom. The poor fool who with a few dollars opens a faro bank or sets up a monte table in a country town is by common consent an outlaw; every man's face is set against him, and he is liable to arrest and imprisonment at any hour; he is denied admittance to the houses of people who are clean; even the street gamins pass him by as if he were a leper. No man so little esteemed, no man so thoroughly loathed and despised as this fellow, the common gambler. Yet here in the very heart of the best civilization on earth, at the very center of business life and activity, living in luxury and ease, renting costly pews in splendid churches and hiring their worshiping done; men petted and feasted by the rich and easy everywhere, with millions of dollars at their call, governments at their command, and a loyal people in their service; these men who produce nothing, who add not a dollar to the nation's wealth, who fatten on the failures of other men, whose acquisitions are only what their fellows have lost; these men without conscience, who believe they are specially commissioned to prey upon the people, who act as a sort of continuing self-appointed civil-service commission to examine candidates for important offices before their names are submitted to the voters; this pampered aristocracy living off the wreckage of commerce, who rake in a railroad, a state, or a nation with equal complacency; these men "whose private dwellings are more splendid than the public buildings," and whose "happy homes" are the fruit of other men's toil; these men who boast of their patriotism in lending a few millions of their ill-gotten gains to the government of their imperiled country at "12 per cent" interest, when thousands of farmers and wage workers of all sorts and conditions were voluntarily in the army at risk of life and home—all without question as to pay; these men masquerading as philanthropists and patriots while they are despoiling a nation and robbing the poor—these are the men who engineered the train that brought us where we are. They hold the bonds of nearly every State, county, city, and township in the Union; every railroad owes them more than it is worth. Corners in grain and other products of toil are the legitimate fruits of Wall Street methods. Every trust and combine made to rob the people had its origin in the example of Wall Street dealers. Touch any spring along the keyboard of commercial gambling and a Wall Street sign appears. This dangerous power which money gives is fast undermining the liberties of the people. It now has control of nearly half their homes, and is reaching out its clutching hands for the rest. This is the power we have to deal with. It is the giant evil of the time. Money is the great issue—all others pale into insignificance before this, the father of them.

# PART III.

## *THE WAY OUT.*

## CHAPTER I.

### PARTISAN REMEDIES PROPOSED.

### SILVER LEGISLATION.

THERE have been so many remedies proposed for existing conditions that it may be well to consider the most prominent ones suggested by partisans, before taking up those which the people themselves as a body, more especially the farmers, propose. Assuming that the difficulties arise in part from a shortage of currency, a very large number of our public men have suggested several plans of adding to the volume of our circulating medium. The proceedings of Congress along that line have been so recent that they are fresh in the public memory, and need not be referred to here at length. Upon the meeting of the Congress which adjourned on the 4th day of last March a large number, some twenty-five or more, bills were introduced in the two houses proposing the free and unlimited coinage of silver money. That was in response to a very general demand of the working people of the country.

It is not saying too much to state that at least ninety per cent. of the men who toil with their hands had in one form or another expressed themselves in favor of such legislation. The free-coinage bills were referred to appropriate committees, but were never reported to the full Houses. Instead thereof, measures were reported proposing to increase the currency, not by the coinage of silver money, but by issuing treasury notes in payment for silver bullion. The Senate finally passed a free-coinage bill upon the earnest and persistent urging of Senator Plumb, of Kansas. When the bill went to the House it was immediately referred by the presiding officer of that body to the Coinage Committee, without any action of the House whatever, and it was decided in caucus by the members belonging to the dominant party that whatever measure upon this subject should be presented to the House should be a measure that would be known and recognized by the country as a measure coming from that party, and for which that party alone is responsible. It was stated in caucus—so the records show—by the Chairman of the Coinage Committee, that there were enough members of the opposite party favoring free coinage who, with those members of the dominant party of like mind, would amount to a majority of the House, and who could therefore by uniting pass a free-coinage bill. He hoped that, taking that view of the case, the members of his party would preserve the party alignment, and present to the House only such a bill as a majority of the members of that party could agree upon. So the free-coinage bill was defeated, and a measure passed which was not what the people had asked for, and which was not what the people wanted. It differs from the old law very materially, and is not in any sense as satisfactory to the people or as productive or as well suited to the object for which financial legislation was asked. By reference to the silver act of 1878, it will be seen that under that law the Secretary of the Treasury was required to purchase not less than $2,000,000 worth, nor more than $4,000,000 worth of silver bullion every month at the market price, and to coin the same into standard silver dollars. Under that law the lower the price of silver bullion in the market, the more money would be made out of it in proportion to the cost of the bullion, which was of itself a great gain to the people, giving them more money and putting more money into circulation than was paid for the bullion. It operates in this way. According to the standard fixed by law by which silver is to be measured when gold and silver are at "parity," as the late law has it, one ounce of pure silver bullion is worth one dollar and twenty-nine cents and twenty-nine hundredths of a cent; that is the value of silver bullion when it is at par with gold. The silver dollar contains 371¼ grains of pure silver, or, with an alloy of 10 per cent, 412½ grains of standard silver—as it is when coined. When, therefore, the price of bullion in the market is less than $1.29¼, and standard dollars are made out of it, the value of the bullion in the dollar being less than the standard value of the dollar, more money will be made out of the same worth of bullion. To illustrate: President Harrison, in his message of December, 1889, made an estimate that silver dollars at that time were worth but 70 cents each, because, he said, the price of silver bullion in the market was 90 cents an ounce. If the reader will take those figures as a basis and estimate the amount of money of standard weight which could be coined from silver bullion that $4,000,000 would purchase, the maximum of the monthly allowance under the law, and multiply that by twelve, in order to ascertain the year's product, he will find that for $48,000,000 paid out for silver bullion the Treasury could turn out 68,571,408 silver dollars, a clear gain of $20,571,408 to the people, at the same time giving them money of full weight as had been adopted by law under the first coinage act passed by Congress in 1792, and continued from that day to this.

The new bill passed in place of the act of 1878, which was repealed, requires not that there shall be so many dollars' worth of silver bullion purchased and coined, but that a certain number of ounces of bullion shall be purchased—4,500,000 ounces every month, or as much thereof as may be offered; that it shall be purchased on the best terms which the bullion owners will accept, and paid for in treasury notes. The actual value of the bullion, or, perhaps it would be better to say, the actual amount of money agreed to be paid for the bullion, is paid in treasury notes, and the only coinage required under this law is 2,000,000 ounces a month until the 1st day of July, 1891, and after that such additional amount as may be necessary to redeem the treasury notes issued in payment for bullion. Under this law there can be issued only as much money, dollar for dollar, as the market value of the bullion is at the time it is purchased, and the purchase must not exceed 4,500,000 ounces monthly. If the monthly purchase of bullion amounts to $4,000,000, say, the issue of notes will be just $4,000,000. If the amount of purchase is $3,000,000, the amount of notes issued will be $3,000,000, so that in every case and in all cases the value of the bullion purchased controls the amount of money which is given to the people. The price of bullion first offered to the Secretary under the new law was about $1.15 an ounce. At that rate, allowing the maximum purchase under the law—4,500,000 ounces per month—to continue a year, the total amount of money would be but $62,100,000, or $6,471,408 less than the amount which might have been coined under the law that was repealed. The price of bullion, however, dropped soon after the conspiracy to increase its price and amass fortunes for its owners had spent its force, to about $1 an ounce. Now, if it continue at that rate, and it probably will, or go lower, 4,500,000 ounces of silver would cost $4,500,000 in money. Multiplying that by twelve you have $54,000,000 which the people will obtain under this law in one year; whereas under the old law, as above shown, if the Secretary had seen proper to enforce it to the full limit of his discretion, the country would have obtained, at the President's figures, $68,000,000, a difference of $14,000,000 in favor of the old law.

Aside from the effect which this dissection of the case shows to be against the people, there is another feature that will be discussed more at length hereafter. It is this: That so long as our present financial methods are continued in practice, it will afford no permanent relief to the industrial world whether one thousand or one thousand million dollars of silver money be coined, because it goes immediately into the banks or is put into the hands of money changers or other persons whose business it is to lend it to the people on interest, and it is the exorbitant rate of interest for the use of money that has brought the people to where they are. It is evident now to all observing men that the great mass of the people who are in debt, and who are needing money because of their indebtedness and for little else, are unable to borrow because they can not afford to pay ruling rates of interest, and for that reason money in the country has been accumulating in the vaults of banks and of persons who are in comfortable circumstances, until, as was shown in the last chapter, the average per capita circulation of the country does not exceed eight or ten dollars, if as much as that. There is a money famine in a very large portion of our territory. For that reason a mere increase in the amount of money in the country will be of but little benefit to the masses of the people, because they can not get it. In connection with the coining of money there must be a reduction of interest rates before the people will be permanently benefited.

## TARIFF.

There are two views taken of the tariff question, and it is upon the line between those views that the two great parties are divided, and likely to remain so until an independent political movement attracts the attention of the people in other directions. In the first place, one party insists that the farmers' troubles arise chiefly from excessive taxation through our tariff laws, and yet it is history that, when that party undertook to frame a bill embodying the party's views upon tariff reform, their bill proposed to reduce duties from an average of 47 per cent to an average of $42\frac{1}{2}$ per cent, or really a reduction of about $4\frac{1}{2}$ per cent. The other party embodied its views in the bill which is now the law of the land upon this subject. That, while it reduces duties upon some articles, and puts sugar of low grades on the free list, it yet raises the average rate of duty on woolens of all grades from about 66 per cent to 91 per cent, an increase of about $33\frac{1}{3}$ per cent. It increases the duties on cutlery, such as pocket knives, butcher knives, table knives, razors, and the like, fully 100 per cent. It increases the duties on some grades of glassware from 25 per cent to 50 per cent. Below is given a statement of a reliable dry-goods merchant, doing business in one of the Western States, in answer to a question from the writer hereof as to how the new tariff law affects prices in the line of goods in which he deals:

"We paid this spring an advance over what we paid last fall. The *same goods*, and *bought from the same parties:*

| | | | |
|---|---|---|---|
| "Ingrain carpets, | an advance of | 5 | cts. a yard. |
| Tapestry Brussels carpets, | an advance of | 5 | " |
| Body Brussels carpets, | an advance of, on low grades | 20 | " |
| | an advance of, on best grades | 10 | " |
| Moquette carpets, | an advance of | 10 | " |

| | | | |
|---|---|---|---|
| Rugs, an advance of | | 10 | per cent. |
| Hosiery, | an advance of, on cheap goods | 18 | " |
| | an advance of, on good grade goods | 11 | " |
| Wool dress goods, | an advance of, on low grades | 14 | " |
| | an advance of, on high grades | 6 | " |

"Blankets, I don't know yet how much. I offered the mill to duplicate my last year's bill at last year's prices, and they refused it. I then offered them the order at 10 per cent advance, and they refused that, and said they had not established their prices for the present year.

"Pearl buttons, 100 per cent advance; and so it goes all through the entire stock."

# CHAPTER II.

## GOVERNMENT REVENUES MUST BE PROVIDED FOR.

FARMERS have no objection to high duties being levied upon luxuries of whatever sort. Not being given to luxurious living themselves, they are not particular who is, provided it is not at the expense of the people who do the hard work. What the workers want, what the farmers demand, and what they have resolved to attain, is justice in this matter, and only justice. They understand very well that taxes for the support of the General Government must be raised in some way, and they are not disposed to be particular about the method, so long as they are not dealt with unjustly; but, when they are placed in competition with the cheap farm labor of India and Italy and Austria and Russia and South America, they do not see why they should be asked to protect any other particular class of their fellow-citizens against cheap labor in other countries. The farmer himself is not making, as has been shown abundantly in these pages, as much as a dollar a day net for each member of his family, nor half that much. It is shown that, by the time he pays his taxes and his interest and his necessary farm expenses, he does not have left one half as much for his own personal support as he is compelled to pay for the support of a convicted criminal in the State prison.

It is understood by all of us that the Government of the United States is a very expensive institution, and that it is a pauper. It is not a foreign entity, governed by some outside power with which we have no connection. It is not, as some imagine, a great father sent to us to take care of our interests without any action upon our own part, but is simply the agent of the people. It is just what the people themselves have made it. It is an instrument to express and to interpret and to execute their will. It is composed of vital forces acting through living men selected by the people in regularly organized election campaigns. The two Houses of Congress constitute the legislative department; the President, with his Cabinet and subordinate officers, constitute the executive department; the Supreme Court, with the inferior courts, marshals, and clerks, constitute the judicial department. Together they form a machinery of government through which the people operate. This government is but an agent. Let the reader fix that thought indelibly in his mind—that the Government of the United States is simply the agent of the people of the United States. It is poor. It has no available means of supplying the necessary means to carry forward the work with which it is charged. It requires money, and a great deal of it, to keep the machinery in motion. Money is the oil which lubricates these vast forces in action, and the necessary means must be provided through taxation of some kind.

Our tariff legislation began early in our history. The first general act passed by the first Congress was a tariff act. It was approved by President Washington on the 4th day of July, 1789. The object of the law, as stated in the preamble, was, first, to raise revenue to support the Government; second, to pay the debts of the United States; and third, for the encouragement and protection of manufactures. Duties were very low, ranging from 5 to 15 per cent. It is proper to say in this connection that one of the leading causes which led to the formation of the Constitution and the organization of the Government under it was the effect upon our commercial condition of excessive importation of goods from other nations, more especially from Great Britain. Under the new Government the first object, as stated, in the levying of tariff duties was to raise revenue for the Government, and the protection desired to home manufactures was not for the purpose of benefiting any particular class of people, but simply to establish national industries in order that we might become as soon as possible commercially independent of foreign influences. Our political independence had been established, yet we were commercially slaves to the power which had so long oppressed us. That idea of raising revenue by the taxation of foreign goods has been common with our people from the beginning. It seems latterly, however, that there is a very strong disposition in certain quarters to pervert our tariff legislation from its original design into one for the benefit of a particular class of people, and that class represented by a very small number of persons. Let us get back as soon as possible to the original idea, and stay there as long as we find it to our advantage to raise revenue in that way.

Now let us see how tariff taxation works. The last Congress estimated that the necessary expenses of the Government for the fiscal years 1891 and 1892 will amount to, in round numbers, $1,000,000,000—that is, $500,000,000 a year. If that amount were raised by direct taxation upon the property of the people, they would realize how heavy a burden it is. The total valuation of all the taxable property in the United States in 1888, that being the last year fully reported, was $22,000,000,000 in round numbers. To raise $500,000,000 on that basis would require a levy of nearly 2½ per cent. For ease of calculation we will call it 2½. If the tax payer would ascertain just how much he individually would be required to pay for his part of that vast sum, let him compute 2½ per cent on the amount of his taxable property as returned by the assessor. For example, if his property be worth $1,000, his share of the general taxation would be $25. If his property were assessed at $2,000, his tax would be $50, and so on—$25 of tax for every $1,000 worth of property. This all goes to the General Government, not a dollar of it being applied to State or any other local uses. This is in addition to all of the State taxation to which we are accustomed, and that on an average is about 3 per cent; so, if we were raising by direct taxation the revenue necessary to carry on the Government at the rate of $500,000,000 a year, it would require $25 upon every $1,000 of our property assessment in addition to State, county, township, school district, and city taxes. Say a citizen's State and local tax amounts to $30 on a valuation of $1,000. In addition to that, if we were paying the Government tax, he would have to pay $25 more—in all $55. If his local taxes were $60 on a valuation of $2,000, when the Government tax is added it would be $50 more, or in all $110. It is a question, then, whether it is better for us to raise our revenue as we have been doing it, largely by duties levied upon foreign goods imported, or whether we should repeal our tariff laws, abolish our custom houses, and raise the necessary funds by direct taxation. It would be reasonable, and that is the view which farmers take of this matter, to relieve as far as possible from tariff taxation all articles which are in general use among the common people; and what is meant by the common people is the masses who toil with their hands—farmers, mechanics, builders, wage workers generally. For example, lumber, coal, salt, sugar, wire used in fencing, low grades of clothing, common cutlery and table wear, shoes, hats, etc., ought not to be taxed at all; while levying high duties—so high as not to prevent importation—upon all sorts of articles which may be classed in the category of luxuries, as dress goods of all varieties, fine cloth and clothing, embroidery, drapery, laces, fancy glassware, ornaments, jewelry, diamonds, precious stones, sporting implements, liquors, tobacco, tropical fruits, and every kind and description of merchandise which is in special demand by rich and fastidious people. For this purpose a duty of say 10 per cent levied upon plain goods, such as plain people want, would be sufficient to retain the home market for the benefit of home manufactures, and at the same time be so low as not to affect the price to any appreciable extent. Fifty per cent, 75 per cent, and 100 per cent, or more, as the case may be, upon the higher grades of goods and those which are more costly would bring in a very large amount of revenue without costing the common people a dollar. Lumber and coal and salt and sugar ought to be absolutely free. The lower grades of wool, such as is known in the tariff law as carpet wool, a great deal of which is used in the manufacture of common grades of clothing, ought to be free. Our own farmers are raising very little of that sort of wool. It is produced in other countries at such low rates as to be able to pay any reasonable duty.

It will not do to levy duties without discrimination, because if we do the tax will fall most heavily upon the poor people. A poor family uses, or is entitled to use, as much sugar and coffee and tea as a wealthy family of the same number of persons, and if we were levying duties without discrimination we would levy them upon all goods imported; that would tax the poor man's sugar and his tea and his coffee just as much as it would tax the rich man's, though the expenses of the rich man's family, perhaps, do not amount to 1 per cent of his income, while the expenses of the poor man's family amount to 99 per cent or 100 per cent of his income. A just theory of taxation will in every case exclude the very poor man. When his country is in need of his services it commands them, and he makes no complaint; he offers his body and all the strength of his muscles. That is all he has, and he offers it freely.

Farmers understand that a great many articles which they need can be and are produced in this country as cheaply as in any other. This applies to agricultural implements, to many sorts of hardware (as stoves, screws, nails), low grades of cotton cloth, some grades of cheap flannels, to furniture, to tinware, and some sorts of lumber. They understand, too, that the question as to whether the producer or the consumer bears most of the burden of tariff taxation is determined by this general rule: Current prices of commodities are affected by duties on imports according to the proportion which the amount of the home product bears to the amount of the imports of like commodities which are brought in to make up the difference between the home product and the home demand or consumption. If the home product and the imports (of like articles) are about equal in amount, the duty is about equally divided between the foreign producer and the home consumer; if the imports are greater in amount than the home product, the consumer pays the greater part of the duty and in about the same proportion (inversely); if the home product is greater in amount than the imports, the duty falls more heavily on the importer; if the imports supply the entire demand, then the consumer pays all the duty; and if the home product supplies all the home demand or substantially so, then the importer pays all the duty.

The farmer wants the people of the country all employed at not only living wages, but at profitable wages. He wants a reasonable profit upon the labor of his own hands. He wants a liberal income from the capital which is invested in his farm. He wants to see his neighbor, the mechanic and the wage worker, fare as well as he. We are all toilers together. We are entitled to what we earn, and that is all we ask for. We do not want the profits of our labor to be absorbed by men who do not work at all. We want to live ourselves, while we assist others in living, and we do not care to spend our energies in a life work which is to end in enriching other men and impoverishing us. We are willing to be taxed, but we want the whole people to get the benefit of it.

# CHAPTER III.

## DUTIES ON FARM PRODUCTS IMPORTED WILL AFFORD RELIEF.

WHILE the farmer does not expect sufficient relief from a reduction of tariff duties on manufactured goods, he does not, on the other hand, expect any considerable benefit from an increase of duties on farm products. By the last tariff act the duty on wheat was raised from twenty cents to twenty-five cents a bushel. The duty on corn was increased from fifteen cents to twenty cents, with a proportionate rise on a great many other articles, including oats, barley, potatoes, cheese, butter, eggs, beef, pork, hams, bacon, and so on. By reference to the *Statistical Abstract of the United States* for 1889, it will be seen that comparatively a very small amount of farm products of any sort were imported into the United States that year, and the

TABLE XVI.—*Showing the quantity of wheat, corn, oats, and barley produced on the farms of the United States in the year 1889, and the value thereof; with the quantities of same crops imported that year, the rate of increase of duties on such crops under the tariff law of 1890, and the amount of increased revenue which would have been gained on said importations if the new rates had been in force then.*

| CROPS. | Quantity produced on farms. | Value. | Quantity imported. | Increase of duty. | Increase of revenue if new duties had been in force. |
|---|---|---|---|---|---|
| Wheat—bushels... | 490,560,000 | $342,491,707 | 130,649 | 5 cts. | $6,532.45 |
| Corn—bushels..... | 2,112,892,000 | 597,918,829 | 2,401 | 5 cts. | 120.05 |
| Oats—bushels..... | 751,515,000 | 171,781,008 | 22,301 | 5 cts. | 1,115.50 |
| Barley—bushels... | 63,884,000 | 37,672,032 | 11,368,414 | 15 cts. | 1,708,261.70 |
| Total..... ... | 3,418,851,000 | $1,149,862,576 | 11,543,774 | ...... | $1,716,028.70 |

report for that year does not differ materially from the reports of other years. There is a greater or less importation every year, but those of 1889 are a fair average since 1880. In order that the reader may see for himself just what there is in this tariff-increase argument, Table XVI is appended showing the home production, the export, and the import of certain articles of grain.

It will be seen from Table XVI that the total amount of duties which would be received under the new rates in addition to the old rates is but a very small proportion, almost infinitesimal, of the value of our home products, and for that very reason it is useless to expect any substantial benefit to the farmers of the country, or to any other class of citizens, by so trifling a matter as this. With such an immense production it is utterly out of the question to expect any appreciable increase of the prices of our farm products by reason of the small amount of duties levied on the limited importations of those articles.

It is alleged, however, that upon meat and the products of animals a very considerable benefit will be derived by the farmers. Let us see how that is. The reports show as follows:

TABLE XVII.—*Showing the value of animals, meats, and meat products imported into the United States during the fiscal year 1889, not including animals admitted free of duty.*

| ARTICLES. | VALUE. |
|---|---|
| Animals | $3,917,031.84 |
| Provisions—meats and meat products | 530,802.01 |
| Total | $4,447,833.85 |

—*Com. and Nav.*, 1889, pp. 703 and 704.

TABLE XVIII.—*Showing the value of animals, meats, and meat products exported from the United States during the fiscal year 1889.*

| ARTICLES. | VALUE. |
|---|---|
| Animals | $18,288,664 |
| Provisions—meats and meat products | 89,476,338 |
| Total | $107,785,002 |

—*Special Bulletin of Agl. Dept.*, 1890.

While we were importing animals and meats to the amount of $4,447,833, we were exporting the same class of articles to the amount of $107,785,002, or more than twenty-five times as much. If a tax of 100 per cent were levied on foreign commodities of this class imported, it could not offset our home prices to any serviceable extent, because our home production is so large. During the last ten years the entire importation of animals and meats and meat products amounted to only $60,000,000, and during the calendar year 1889 we exported $123,000,000 of like articles. And, besides this large exportation, we still had a few animals left, as the following table shows:

TABLE XIX.—*Showing the number and value of live stock on hand among the farmers of the United States in 1889.*

| | Number. | Value. |
|---|---|---|
| Horses | 14,213,837 | $978,516,562 |
| Mules | 2,331,027 | 182,394,099 |
| Cows | 15,952,883 | 352,152,133 |
| Other cattle | 36,849,024 | 560,625,137 |
| Sheep | 44,336,072 | 100,659,761 |
| Swine | 51,602,780 | 243,418,336 |
| Total | 165,285,623 | $2,418,766,028 |

—*Special Bulletin of Agl. Dept.*, 1890.

# CHAPTER IV.

## RECIPROCITY.—OVERPRODUCTION.

In addition to the increase of duties upon farm products, it is predicted that by opening trade, under the name of reciprocity, with the American nations south of us our farmers will be materially benefited. This, however, is a mistaken notion, as the farmers have already discovered. It is a mistaken notion upon the part of those who honestly believed in the professions of the politicians. It is not a mistake, however, upon the part of those who did not expect any beneficial results for the farmers, but who did expect to deceive them into continued party loyalty by promises of relief in impracticable directions. It was not intended, as will be seen hereafter, that the farmer should obtain any more out of this sort of legislation than he does out of any other. Reciprocity with only the American nations means a benefit specially to manufacturers, and not to farmers. It was made for manufacturers, as will appear further along. The value of all of our exports in 1889 to the American nations south of us was a little over $68,000,000, but little over one third of that was farm produce, and nearly two thirds of it was made up of manufactured articles, while at the same time the little island of Great Britain, which is only a trifle larger than the State of Kansas, took from us $382,000,000 worth of products, and nearly all of that was produce of the farm, while a very small proportion of it was manufactured goods. What satisfactory reason can be urged why we should have reciprocal relations with our neighbors to the south of us when they need but a small quantity of our agricultural productions, and not establish the same sort of reciprocity with our neighbors to the east of us, who use and are continually in need of a very large amount of what our farmers raise? This of itself is enough to satisfy any observer that the scheme of reciprocity is not intended for the farmer. The following table will show our total commerce with the nations south of us, during the fiscal year 1890, and the portion of it which was agricultural:

TABLE XX.—*Showing a statement of the exports to the countries named and imports from those countries during the fiscal year 1890.*

| COUNTRIES. | AGRICULTURAL. | | TOTAL. | |
|---|---|---|---|---|
| | Exports. | Imports. | Exports. | Imports. |
| **Central America:** | | | | |
| Costa Rica......... | $351,366 | $1,380,382 | $4,146,511 | $8,414,019 |
| Guatemala......... | 314,091 | 2,264,410 | | |
| Honduras.......... | 138,223 | 1,050,689 | | |
| Nicaragua ......... | 283,413 | 1,016,099 | | |
| San Salvador....... | 212,195 | 1,636,913 | | |
| British Honduras... | 191,448 | 180,524 | 362,623 | 211,465 |
| Total........... | 1,490,736 | 7,529,017 | 4,509,134 | 8,625,484 |
| **South America:** | | | | |
| Argentine Republic. | 304,102 | 5,193,741 | 8,376,077 | 5,454,618 |
| Bolivia ............ | 2,100 | 1,477 | 762,546 | .......... |
| Ecuador........... | 275,672 | 480,797 | | 695,005 |
| Chili ............. | 341,763 | 103,492 | 2,967,254 | 2,622,625 |
| Brazil ............ | 4,903,421 | 52,642,737 | 9,276,511 | 60,403,804 |
| French Guiana..... | 82,943 | .......... | .......... | .......... |
| British Guiana .... | 1,231,151 | 4,512,593 | 2,038,643 | 4,526,181 |
| Dutch Guiana...... | 171,760 | 458,925 | | 460,243 |
| Peru ............. | 112,531 | 202,965 | 773,244 | 314,032 |
| U. S. of Colombia.. | 984,115 | 3,669,996 | 3,728,961 | 4,263,519 |
| Uruguay........... | 360,412 | 2,847,828 | 2,027,383 | 2,986,964 |
| Venezuela ......... | 1,805,194 | 10,156,454 | 3,703,705 | 10,392,569 |
| Total........... | 10,575,164 | 80,271,005 | 33,654,324 | 92,119,560 |
| **West Indies:** | | | | |
| Danish West Indies. | 335,959 | 513,787 | 29,941,525 | 77,947,333 |
| French West Indies. | 1,326,232 | 99,382 | | |
| British West Indies. | 5,539,461 | 14,579,986 | | |
| Dutch West Indies.. | 365,121 | 90,123 | | |
| Hayti ............. | 1,955,406 | 2,948,295 | | |
| San Domingo...... | 390,845 | 1,285,873 | | |
| Cuba.............. | 5,099,954 | 47,294,203 | | |
| Porto Rico......... | 1,327,026 | 3,672,274 | | |
| Total..... ...... | 16,340,004 | 70,483,923 | 29,941,525 | 77,947,333 |
| Grand total...... | 28,405,904 | 158,283,945 | 68,104,983 | 178,692,377 |

The total exports amounted to $68,104,983, of which farm products amounted to only $28,405,904, leaving $39,699,079 of manufactured goods, which is 25 per cent of our total exportation of manufactures to all countries.

During the same year our total exports to Great Britain amounted to $444,459,009, of which $369,973,564, or 83 per cent, was direct from American farmers. Here are the items and their values:

*Exports of farm products to Great Britain, 1890.*

| | |
|---|---|
| Animals | $29,912,728 |
| Breadstuffs | 93,592,960 |
| Fruits and nuts | 1,265,963 |
| Beef products | 24,004,482 |
| Pork products | 52,094,615 |
| Dairy products | 9,558,973 |
| Tobacco | 7,908,176 |
| Seeds | 863,787 |
| Cotton | 148,297,781 |
| Miscellaneous | 2,474,099 |
| Total | $369,973,564 |

About seven eighths of this went to England and one eighth to Scotland and Ireland. Total imports from Great Britain in 1890 was $186,488,956.

It may be said, further, that some of the South American nations produce more wheat and corn than they need for their own use; indeed, South American corn has been already successfully imported into the United States. The Argentine Republic exports wheat. The quantity of wheat exported from that country to Great Britain in 1887 and 1888 was equal to one eighth of the quantity exported to the same country the same years from the United States. There is but little demand in South America for our wheat. The total taken in 1889 was 4,249,374 bushels, and Brazil took 3,055,374 bushels of that. The climate of South America and the soil are very much like those of our own country at the same distance from the equator. Wheat grows as well there as it does here; so does corn. They also produce cattle and sheep and swine. Wool has been exported from South America many years. Cattle and beef and sheep and mutton and wool are now being exported. As the country improves, as population increases, and settlements advance, all of the productions to which the climate and soil are adapted will be produced in increasing quantities, just the same as it has been in this country; so that the farmers of the United States have very little to hope for even from an unlimited and absolute free trade with the people south of us. But in order that it may be made to appear more clearly that the scheme of reciprocity is for the manufacturer and not for the farmer, here is a copy of the first and, so far as the writer hereof knows, the only important petition that was ever forwarded to Congress asking for the opening of trade with the South American people. The petition was presented to Congress in 1889, about the month of February. It was printed in *Export and Finance*, November 1, 1890, with an editorial introduction, from which a few extracts are taken:

> Honor to whom honor is due. Those who were pioneers in this now popular movement should not be overlooked. . . . Now ignorance of the resources of Mexico, Venezuela, Brazil, the Argentine, Chili, and Peru is the exception, not the rule, among persons claiming to be educated. For this changed condition many of the most prominent merchants of New York and surrounding cities are more largely responsible than the general public has any idea of. It was in February, 1889, that a petition was drawn up, signed, and presented to the Congress then in session at Washington. . . . That petition to the Congress of the United States was the start of that grand movement which has since grown to such fair proportions, and which will not cease until it has united the continent, commercially, into one mighty, homogeneous whole. The signers should be remembered now that reciprocal trade relations with the other American countries is the foremost question in national politics.

They spoke their convictions at a time when politicians and statesmen looked askance at their proposal and when popular support could not be expected. It is for this reason that *Export and Finance* reprints the document to which they affixed their signatures, and their signatures as well. These last form a veritable roll of honor.*

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* Following are a few paragraphs of the petition:

*To the Honorable Senate and House of Representatives of the United States of America in Congress assembled:*

May it please your Honorable Body: Your petitioners, representing a corporate body of American merchants and manufacturers, known as the "American Export and Trading Company, of New York," and organized for the express purpose of encouraging, developing, and increasing American foreign commerce, especially with the countries of Mexico, Central and South America, and the West India islands and Brazil, most respectfully beg to submit the following facts for the consideration and prompt action of your honorable body.

The manufacturing industries of the United States have now reached that condition in their development when it has become necessary that a large portion of its leading representatives should seek new and advantageous foreign markets for the disposal of their surplus stocks of manufactured articles.

The United States has become a great manufacturing nation, ranking second to no other in the extent, variety, and quality of its manufactures, and the great manufacturing concerns throughout the entire country are being rapidly increased and multiplied.

The supply of products manufactured in this country of almost every kind, exceed the demand for home consumption, and the all-important question arises, "Where shall we find desirable and profitable new markets for the disposal of our surplus stock of goods?"

The intelligent solution of this question lies in the advantages which enterprising American merchants and manufacturers may enjoy by cultivating closer and more friendly commercial relations with the people of Mexico, Central and South America, the West Indies and Brazil, and other foreign countries where foreign goods are in demand, and where goods of American manufacture can find ready sale at advantageous prices by a judicious cultivation of better trade relations such as herein suggested.

It has frequently been asserted that the greater cost of labor in the

Another remedy proposed is that the farmer shall diversify his industry, that he shall produce a greater variety of articles, and that he shall shorten his production in wheat and corn and cattle and swine and sheep, and all other principal products of his farm; for the wise men say that he has been producing too much, and that it is overproduction that ails him; that if he will but curtail his production in these directions, and start out in something new, for a few years at least, prices of his commodities will rise, and that that alone will lift him out of the slough of despond and also relieve him of the mountain of indebtedness now resting upon him. A very brief examination of a few well-known facts will dispose of this argument. Below a table is submitted, showing the production of wheat and corn since 1879, together with the prices at which they sold in the market. This will determine whether the fall in prices has been consequent upon an increase in production. It will appear from an examination of the table that we produced more on an average of wheat and corn in 1881, 1882, 1883, 1884, and 1885, than we did in 1886, 1887, 1888, and 1889; yet the prices of those articles were less in the years last named than they were in the years first named, and we had a larger population. If the overproduction argument were good the prices ought to have been higher when the production was less.

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United States forbids successful competition with Europe in these foreign markets; but the experience and testimony of those who have tried the experiment prove this claim to be fallacious, for they agree almost unanimously that *with equal trade facilities, enterprise, and a knowledge of the wants of the people in the countries named, Americans can compete successfully with any foreign nation in the world:*

Signed by sixty-seven large business firms and manufacturing companies of the East.

TABLE XXI.—*Showing production of cereals and the market prices thereof from 1879 to 1889.*

### CORN.

| CALENDAR YEAR. | Production. | Area of crop. | Total value of crop. | Average price per bushel. | Average yield per acre. | Average value of yield per acre. |
|---|---|---|---|---|---|---|
| | *Bushels.* | *Acres.* | *Dollars.* | *Cents.* | *Bushels* | *Dollars* |
| 1879........ | 1,547,901,790 | 53,085,450 | 580,486,217 | 37.5 | 29.2 | 10 93 |
| 1880........ | 1,717,434,543 | 62,317,842 | 679,714,499 | 39.6 | 27.6 | 10 91 |
| 1881........ | 1,194,916,000 | 64,262,025 | 759,482,170 | 63.6 | 18.6 | 11 82 |
| 1882........ | 1,617,025,100 | 65,659,545 | 783,867,175 | 48.5 | 24.6 | 11 94 |
| 1883........ | 1,551,066,895 | 68,301,889 | 658,051,485 | 42.0 | 22.7 | 9 63 |
| 1884........ | 1,795,528,000 | 69,683,780 | 640,735,560 | 36.0 | 25.8 | 9 19 |
| 1885........ | 1,936,176,000 | 73,130,150 | 635,674,630 | 33.0 | 26.5 | 8 69 |
| 1886........ | 1,665,441,000 | 75,694,208 | 610,311,000 | 36.6 | 22.0 | 8 06 |
| 1887........ | 1,456,161,000 | 72,392,720 | 646,106,770 | 41.4 | 20.1 | 8 93 |
| 1888........ | 1,987,790,000 | 75,672,763 | 677,561,580 | 38.1 | 26.2 | 8 82 |
| 1889........ | 2,112,892,000 | 78,326,050 | 597,918,829 | 28.3 | 27.0 | 7 63 |

### WHEAT.

| CALENDAR YEAR. | Production. | Area of crop. | Total value of crop. | Average price per bushel. | Average yield per acre. | Average value of yield per acre. |
|---|---|---|---|---|---|---|
| 1879........ | 448,756,630 | 32,545,950 | 497,030,142 | 110.8 | 13.8 | 15 27 |
| 1880........ | 498,549,868 | 37,986,717 | 474,201,850 | 95.1 | 13.1 | 12 48 |
| 1881........ | 383,280,090 | 37,709,020 | 456,880,427 | 119.3 | 10.1 | 12 03 |
| 1882........ | 504,185,470 | 37,067,194 | 445,602,125 | 88.4 | 13.6 | 12 02 |
| 1883........ | 421,086,160 | 36,455,595 | 383,649,282 | 91.0 | 11.6 | 10 56 |
| 1884........ | 512,765,000 | 39,475,885 | 330,862,260 | 65.0 | 13.0 | 8 38 |
| 1885........ | 357,112,000 | 34,189,246 | 275,320,390 | 77.0 | 10.4 | 8 05 |
| 1886........ | 457,218,000 | 36,806,184 | 314,226,020 | 68.7 | 12.4 | 8 54 |
| 1887........ | 456,329,000 | 37,641,783 | 310,612,960 | 68.1 | 12.1 | 8 25 |
| 1888........ | 415,868,000 | 37,336,138 | 385,248,030 | 87.3 | 11.1 | 10 30 |
| 1889........ | 490,560,000 | 38,123,859 | 342,491,707 | 69.8 | 12.9 | 8 08 |

# CHAPTER V.

## ORGANIZATION.

HAVING considered plans which the farmers do not regard as a safe way out, let us now proceed to consider some methods converging to one general outlet. The great thing, the essential matter, that overshadowing all others, and before which everything else pales, is the money power. That must be dealt with and disposed of at all hazards; not that there is to be any destructive method; not that there is to be any anarchistic philosophy about it; not that there is any disposition on the part of farmers or any considerable portion of the working masses to take away from any man his property, or to distribute the existing wealth of the country among the people; not that there is any disposition to repudiate debts, to get rid of honest obligations, to rashly change existing forms or customs, or to indulge in any sort of disloyalty; but simply that the influence of money as a power in society must be neutralized in some way, and there is only one way to do it; that is, to remove from money its interest-bearing function to the extent, at least, of bringing the value of money as a profit-bearing investment to the same level with land and labor and other agencies of production. That is to say, there must be an equalizing as nearly as possible of the profits on money and on profits of other investments. To illustrate: If, as it is generally assumed, upon reasonable ground, the annual net profit on labor and labor's productions generally is about 3 per cent; if that is true—and it is not disputed anywhere—interest on money ought not to be any higher than that. The use of money ought not to be any more profitable than the use of land or the use of machinery, or the use of a railroad, or of any other sort of productive force. This phase of the subject will be treated more fully further along.

The first step necessary in reaching this great consummation of equality in profits is for the persons interested in the movement to organize themselves into a political force. This can not be done at once nor primarily. It must come through the formation of local bodies organized in the first instance for purposes of mutual improvement and benefits socially. This brings men and women into closer social relations with one another in communities. It is one of the best educating agencies ever adopted in any stage of social advancement. The church is organized for religious purposes exclusively; that trains the mind in the direction of religious thought; its methods all appeal to the religious sentiment. But there is not time enough in religious meetings for the people to become well acquainted socially, and there are not enough of auxiliary methods to assist the people materially in developing their social natures; there must be some other arrangement by which this can be done, and the primary object in this kind of association must be social, purely social, having connected with it enough of the religious habit to leaven the whole work with the highest and best motives. Indeed, it is found now that in many of these local bodies, where the proceedings are opened and closed with prayer, that the highest form of devotional feeling is manifested throughout all of the exercises, even though they be largely devoted to what is supposed to be purely social enjoyment. It does really appear that in thousands of this class of meetings the atmosphere is so much tinged with religious feeling that the meetings take the place of religious worship in the churches. It further appears that these meetings to a large extent, and in many instances wholly, take the place of churches in the religious enjoyment of the people. Fashion and the influence of dress have become so much a power that a great many persons of refined natures and of good education find themselves uncomfortable among people in fashionable churches for the reason that they are not able, as they believe, to adorn their persons in costly apparel fitly corresponding with that of their associates ; hence they prefer to remain away. But here in these neighborhood assemblies among the farmers, out where the pure air of heaven sweeps over the fields, they meet together upon a plane of perfect equality. They are all neighbors and friends of one grade socially, and they have grown large enough to understand that they need no longer quarrel over differences in matters of religious belief ; so they come together in the Grange, in the Alliance meetings, in the Farmers' Mutual Benefit Association, in the assemblies of Knights of Labor, in the anti-monopoly leagues, and in many other bodies where people of the same plane in social life meet and develop their best local advantages.

### The Grange.

Here, then, is the beginning of the great work that the farmers and their fellow-workers have to accomplish. Fortunately, this has been already largely begun. The Patrons of Husbandry, commonly known as the Grange, began their organization about twenty-four years ago in the city of Washington. The Grange grew rapidly about nine years, then quite as rapidly for a time receded from view; but in the mean time it had accomplished a noble work, much wider in its scope and grander in its proportions than people generally have ever been willing to admit. From the Grange came what is known as the

"Granger" railroad legislation, the establishment in our laws of the principle that transportation belongs to the people, that it is a matter for the people themselves to manage in their own way, and that the Congress of the United States, under authority vested in that body by the Constitution, is authorized and empowered to regulate commerce among the several States as well as with foreign nations. That principle, once advocated and urged by the Grange, finally became permanently ingrafted in our laws. Then came the Interstate Commerce Commission; that was another outcome of the Grange movement. Opposition to conspiracies of wealth against the rights of farmers—of labor in general, but of farmers in particular—was among the first and best works of the Grange. The footprints of that first and best organization of farmers ever effected up to that time—are seen plainly in much of the legislation of this country during the last twenty years Grange influence revived in recent years, and is again growing. It is now one of the most earnest, active, and efficient agencies in the agitation of measures in the interest of agriculture. It lacks but one element of strength, and that will come in due time—namely, the uniting with other bodies of organized farmers in one great political movement to enforce themselves what they have long been trying ineffectually to enforce through their separate party organizations—the dethronement of the money power.

Aside from the political influence of the Grange, it has been a powerful factor in the social development of farmers. Go into a Grange neighborhood any place where the members have maintained their organization during all the troublesome, trying years that followed their first organization, and you find a neighborhood of thrifty, intelligent, well-advanced farmers, their wives and daughters enjoying all of the comforts and conveniences which have been brought into use through the multiplication of inventions for the saving of labor and the production of wealth. Their meetings have been schools in which the best sort of education comes, and now the Grange as a body is one of the most fruitful social institutions in the country. As fast as its members see their way clear to a union with their fellow-farmers generally for political purposes they will have accomplished a grand mission, and they will finally come to that.

### The Farmers' Alliance.

The Farmers' Alliance is a body in many respects quite similar to that of the Grange. In both bodies women are equal with men in all of the privileges of the association. They are fast training women in channels of political thought. Many of the best essays and addresses read and delivered in their meetings are prepared by women, and it is beginning to dawn upon the minds of men long incrusted by custom and usage that the women who were chosen in early life as partners and companions—women who first became wives and then mothers and guardians of the best families upon earth, women who have nurtured children and trained them up to useful manhood and womanhood, looked after their interests when the days of childhood were numbered, and never forgot them "even until death"—these same women who of all persons have a fonder attachment, a warmer affection, and a deeper love for their children, in the midst of mature life as well as in childhood, are quite as capable of looking after the interests of men and women when they are grown as while they are prattling infants about the play-grounds of the old homestead. These social bodies of farmers, where men and women are at last made equal in public affairs, even though to a limited degree, are fast, very fast, educating the rural mind to the belief that women are as necessary in public affairs as they are in private affairs. Their influence is constantly growing stronger as the years come and go, and, strange as it may seem to some persons, they are losing none of their womanhood, but are constantly adding graces to lives already beautiful and useful.

The Farmers' Alliance was organized primarily—just as the Grange had been—for social purposes; but yet immediately in connection with its inception was an effort to defeat the absorption of State lands of Texas by speculators. One great object of the association was to save the public lands for the people. It has always been a leading idea among farmers that the public lands ought to be saved for homes for the people. They foresaw what the end would be in case speculators, whether individual or corporate, were allowed to monopolize the land. In time settlers would be required to pay exorbitant prices for what they are entitled to at cost. The homestead law embodies the true theory of Government disposition of the public lands. They belong to the people, in the right of the people. Whatever they cost in money, if anything, was paid by the money of the people through a system of taxation which was supposed to be just, bearing equally, as far as possible, upon all classes and conditions of the people. It was, as the farmers believed, a stupendous wrong inflicted upon the people of the country generally when lands were given away in immense quantities to corporations. All of that was so much money thrown into the coffers of rich men and wealthy corporations, and taken away from the poor; and now that our public lands are so much curtailed as that there is hardly room enough in fertile areas left to locate a single homestead, a great question comes up of taxing the people to inaugurate a general system of irrigation to reclaim arid lands, and to supply the demand for homes by increasing the productiveness of the public lands which are yet left for the use of the people; and this idea of "land for the landless and homes for the homeless"—once so noisy a party war cry—will again be made part of the platform of a national party which will rise into view within the next year or two.

The Farmers' Alliance is in two bodies now. One was begun in Texas about the year 1875; it is known as the "Southern Alliance." It has absorbed the "Farmers' Union" of Louisiana, the "Agricultural Wheel" of Arkansas, and some other local organizations of farmers in different parts of the Southern States, with Kansas, Missouri, and Kentucky. It has a very large membership in Iowa, Ohio, and New York, and is spreading into all the other States. Thirty-five States now have organized alliances. While the body is strongest in Southern States, if its growth in the Northern and Western States continues to be as rapid the next year or two as it has been in the last two years, it will soon have a large membership in every State in the Union. Its principles, socially and politically, are almost exactly the same as those taught by the Grange—namely, good fellowship and obliteration of sectional prejudices, a nationalizing of the people, a spirit of friendly feeling among the masses, abandonment of old issues, with the discussion of new problems of the present and the future, all based upon the fundamental idea which angels sang to shepherds when the Babe of Bethlehem was born—"peace on earth, good will toward men." The "Southern Alliance," as it is commonly called by outsiders, is the "Farmers' Alliance and Industrial Union"; it is builded upon principles broad and deep as humanity.

## NATIONAL FARMERS' ALLIANCE.

Then there is another body, known as the "National Farmers' Alliance." It originated about the year 1877 in Illinois. It differs from the Southern Alliance practically only in this, that the Southern Alliance has a "secret work"; it transacts all of its business with closed doors; the members know one another outside as well as inside by means of "grips" and "pass-words," just as Masons and Odd Fellows do. This is true likewise of the Grange. The National Farmers' Alliance, commonly known as the "Northern Alliance," transacts its business openly, the same as any ordinary public assembly. The objects and aims of both bodies are practically the same—opposition to all private monopolies and the better dispensing of justice among the people. One of the tenets of all these organizations is "equal rights to all, special privileges to none."

### FARMERS' MUTUAL BENEFIT ASSOCIATION.

There is another rapidly growing body of farmers. It took form in the southern part of Illinois about four years ago. It is known as the Farmers' Mutual Benefit Association, with objects the same as the other bodies before named. It, too, has a secret work, but it differs from the Alliance and the Grange in that it does not admit women to membership; that will doubtless come later, for it seems that no considerable body of men in the discussion of matters which are largely social to begin with can very well get along without the help of women, who have been so serviceable to them in their home life. There is a considerable number of other local bodies of farmers, as the "Farmers' League," the "Farmers' Union," the "Farmers' Protective Association," "Anti-Monopoly League," etc. These are mostly in Ohio and States to the eastward. The difference between the Alliance and other bodies of farmers named is about this: The Alliance is more aggressive along political lines than any of the others, and the Alliance has taken more advanced grounds in favor of independent political action. Alliance men and women in very large numbers have come to the conclusion that they have exhausted all of their means for effecting, through the agency of the old political parties, the needed changes in our legislation and customs.

## THE KANSAS MOVEMENT.

The lesson learned by the movement of Alliance men in Kansas in 1890 has been one of very great profit to the brethren in other parts of the country. It was discovered in Kansas that the party machinery was so completely in the hands of a few men as to make the party's policy simply what was dictated by the little circle of leaders, and it was evident that they were completely wedded to the power which has been absorbing the substance of the toilers. Kansas is an agricultural State, one of the most beautiful regions under heaven, with soil rich as any that the sun shines upon, with a climate salubrious, with an atmosphere balmy, with bright skies bending over a landscape delightful in its magnificent proportions, peopled by a rugged yeomanry, industrious, enterprising, sober, intelligent, a body of men and women unsurpassed anywhere in disposition to move forward and upward, men and women who in less than the period of a generation have builded an empire, have produced 50,000,000 bushels of wheat and 250,000,000 bushels of corn in one year, have opened 200-000 farms, have builded 9,000 miles of railroad and 8,000 school-houses; and the farmers of that State came to the conclusion that they were entitled to at least a fair share in the benefits of legislation. They found, however, that it was practically impossible to control the course of political parties, for the reason that the machinery was in the hands of men living in the towns, and connected in one way or another, to a greater or less degree, with railroads and with corporations engaged in the business of lending money for people in the East, deeply immersed in real-estate transactions, and in one way or another interested in matters that were directly and continually and power-fully in opposition to the interests of the farmers. Looking the situation over carefully and deliberately they came to the conclusion that the best way out of their troubles was through an independent political movement; so the Alliance submitted that proposition to their fellow-workers inside and outside of the Alliance, to members of the Grange and of the Farmers' Mutual Benefit Association, to the Knights of Labor, to the Federation of Labor, and to other workers in different departments. The result was the formation of a political party known locally as the People's party, and when the votes were counted after election day it appeared that the party was made up about as follows: Republicans, 45,000 voters; Democrats, 35,000 voters; Union-Labor men, 33,000 voters; Prohibitionists, 2,000 voters; making a total vote of 115,000. The political complexion of the State was changed in six months to the extent of 100,000 votes. At the election in 1888 the Republican majority over all opposition was about 42,000 votes; at the election in 1890 that party fell short of a majority sixty-odd thousand votes. The People's party in Kansas elected one State officer—Attorney-General—five out of the seven members of Congress, 95 of the 125 members of the Lower House of the Legislature (the Senators elected in 1888 holding over to 1892), and secured the election of a United States Senator on the 28th day of January following.

The following matter descriptive of the Kansas campaign is copied from an article in the *Cosmopolitan Magazine* for April, 1890, beginning at page 697:

> Let it be understood that this new party was not the Farmers' Alliance any more than it was the Knights of Labor. The movement was suggested by the Farmers' Alliance, it received its inspiration largely from that body, but its members were perfectly free to co-operate in the movement or to refrain, just as they desired. It is quite generally assumed, among people on the outside,

that there is an oath-bound requirement in the Alliance that its members shall follow in all matters the steps marked out by a majority. This is in no sense true. When an applicant for membership in the Alliance takes his obligation, the person who administers it to him states, in plain, unmistakable language, that the obligation will in no respect "conflict with the freedom of your (his) political or religious views"; and this freedom in politics and religion follows along the course of the Alliance member wherever he goes. He is absolutely and to all intents and purposes a free man. The only obligation which rests upon him, as to his political action, comes from a voluntary acknowledgment on his part of the binding force of an agreement made by a body to which he belongs. He is expected to keep its secrets, he is expected to respect his obligations as a man and a brother, but he is at perfect liberty to vote as he pleases; he is never regarded as out of order in this respect unless, after having agreed with his brethren to a proposition or to a particular course of action, he afterward betrays them.

Having determined to operate upon an independent line, the Topeka meeting called a State convention, to be held in the same place, in August. The convention held at that time placed in the field a regular State ticket, and adopted a platform based on four fundamental ideas—land, labor, transportation, and money. As to land, it was asserted that "The earth is the common heritage of the people; every person born into the world is entitled equally with all others to a place to live and earn a living, and any system of government that does not maintain and protect this inalienable right is wrong, and should be changed or abolished."

As to labor, it was affirmed that "Labor is the beginning of progress and the foundation of wealth; that the laborer is entitled to a good living and a fair share of the profits which result from his labor; that the use of labor-saving machinery should shorten the hours of toil and inure to the benefit of the employed equally with the employer."

It was demanded that the "means of communication and transportation shall be owned by and operated in the interest of the people, as is the postal system."

It was demanded, further, that national banks be abolished; that treasury notes take the place of bank notes; that the currency volume should be expanded to satisfy the needs of business, and that money issued by the Government should be legal tender in payment of all debts, public and private.

Free and unlimited coinage of silver was urged; alien ownership of land opposed; option dealing denounced; just taxation favored; and a service pension recommended, with the following statement added: "We believe that justice demands the depreciated currency in which they (the soldiers) were paid should be made good, and as full and complete faith be kept by the Government with the soldiers as with the bondholders, and that ex-prisoners of war be remunerated for the time served in prison."

To these were appended a few declarations concerning local matters—time for redemption of homesteads sold under orders of court, usurious interest, trusts and combines, salaries of public officers, Australian ballot system of voting, and the Crawford County system of primaries — the whole concluding with these words: "People of Kansas, we come to you on this platform. Our candidates, speakers, and writers will waste no time in discussing minor matters. The past is gone, the present is with us, the future is before us; old issues are dead; we come to you with new ones." Upon that platform the most remarkable State campaign in our history was fought. Three party tickets were actively supported, Republican, Democratic, and the People's. All the trained stump speakers were with the old parties; they discussed old party issues, while farmers, mechanics, and laborers, with a few preachers, doctors, and editors, took up things of present and pressing interest to the people as they were outlined in their platform. Men, women, and children by thousands met in groves, and by hundreds in school-houses and halls, to listen to people of their own class and grade who talked about these new issues. Meetings of five thousand and six thousand people were common, and frequently as many as ten thousand persons met at one time and place to hear the "new gospel" taught. This outpouring of the masses, however, was limited to the People's party. The old party meetings were generally small, often discouragingly so; the most distinguished speakers failed to draw large audiences.

## THE CINCINNATI CONFERENCE.

The result in Kansas encouraged farmers in other States, and soon a movement was set on foot looking to the organization of an independent political movement covering the whole country. The first step in that direction was the National Union Conference, held at Cincinnati May 19, 1891, composed of nearly 1,500 delegates representing thirty-two States and two Territories—Alabama, Arkansas, California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New York, North Carolina, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Washington, West Virginia, Wisconsin, Wyoming, Oklahoma, and District of Columbia.*

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* That Cincinnati conference adopted the following declaratory and doctrinal resolutions:

1. That in view of the great social, industrial, and economical revolution now dawning on the civilized world and the new and living issues confronting the American people, we believe that the time has arrived for a crystallization of the political reform forces of our country and the formation of what should be known as the People's Party of the United States of America.

2. That we most heartily indorse the demands of the platforms as adopted at St. Louis, Mo., in 1889, Ocala, Fla., in 1890, and Omaha, Neb., in 1891, by industrial organizations there represented, summarized as follows:

*a* The right to make and issue money is a sovereign power to be maintained by the people for the common benefit. Hence we demand the abolition of national banks as banks of issue, and as a substitute for national-bank notes we demand that legal-tender treasury notes be issued in sufficient volume to transact the business of the country on a cash basis without damage or especial advantage to any class or calling, such notes to be legal tender in payment of all debts, public and private, and such notes, when demanded by the people, shall be loaned to them at not more than 2 per cent per annum upon non-perishable products, as indicated in the sub-treasury plan, and also upon real estate, with proper limitation upon the quantity of land and amount of money.

*b.* We demand the free and unlimited coinage of silver.

*c.* We demand the passage of laws prohibiting alien ownership of land, and that Congress take prompt action to devise some plan to obtain all

A national central committee was appointed and arrangements made for a general union of all the industrial forces of the country in a convention in 1892 for the purpose of completing organization and putting a national ticket in the field.

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lands now owned by alien and foreign syndicates, and that all land held by railroads and other corporations in excess of such as is actually used and needed by them be reclaimed by the Government, and held for actual settlers only.

*d.* Believing the doctrine of equal rights to all and special privileges to none, we demand that taxation—national, State, or municipal—shall not be used to build up one interest or class at the expense of another.

*e.* We demand that all revenue—national, State, or county—shall be limited to the necessary expenses of the Government, economically and honestly administered.

*f.* We demand a just and equitable system of graduated tax on income.

*g.* We demand the most rigid, honest, and just national control and supervision of the means of public communication and transportation, and if this control and supervision does not remove the abuses now existing we demand the Government ownership of such means of communication and transportation.

*h.* We demand the election of President, Vice-President, and United States Senators by a direct vote of the people.

# CHAPTER VI.

## STRINGENCY IN THE MONEY MARKET.

THIS matter of a combination for political purposes of the industrial forces of the country is now being discussed in every county and in nearly every township and school district in the country. Farmers and working people of all classes are fast learning that their interests are identical. Men of great wealth, men having large estates, whether of one kind or of another, and men dealing in money, have always operated in common. They do not care anything about the platforms of parties provided they may name the candidates, and during all of the years since our great war began what is commonly known as the "money power" has had almost exclusive control of our financial legislation. Its footprints are seen in the statute books every year. Its views go out through the reports of the Secretaries of the Treasury, through inaugural addresses and messages of Presidents, through official documents of the heads of departments, through the columns of the metropolitan press, and through every channel which can operate to spread among the people the doctrine that men whose interests are involved in the accumulation of wealth must always be consulted when any sort of financial legislation is proposed. We have seen, very much to our astonishment, in late years that the public treasure is used as a fund by the highest officers of the Government to accomodate the temporary needs of men whose interests are directly at variance with those of the common people. Beginning with the great crash in 1873, and continuing down to the present time, the Secretary of the Treasury has been in the habit of visiting New York city and conferring with bankers and other capitalists there upon every occasion of what is termed a "stringency in the money market." When there is trouble among speculators over there the Government officers are notified, the Secretary kindly goes among them, and asks how much of the people's money is needed to ease the situation. In the last report of the Secretary of the Treasury, bearing date December 1, 1890, at page xii to xiv, that officer calls attention to the course of his department in relation to the interests of the "money market" during a portion of the last year. He mentions the fact that there was a demand for money among the capitalists of New York (although in justice to the Secretary it must be said he did not state it in exactly the way it is here put), that after having tried to relieve the situation in July, 1890, by the purchasing of nearly seven million dollars' worth of bonds, he says, on page xxix: "It was soon apparent that these purchases were inadequate to meet existing conditions; therefore, on August 19, the department gave notice that 4½-per-cent bonds would be redeemed with interest to and including May 31, 1891; and two days later the circular of August 21 was published, inviting the surrender for redemption of twenty millions of those bonds, upon condition of the prepayment, after September 1, 1890, of all the interest to and including August 31, 1891, on the bonds so surrendered. Under this circular there were redeemed $20,060,700 4½-per-cents." Then he proceeds: "Notwithstanding the disbursements resulting from purchases and redemptions of bonds under the circulars of July 19 and August 21, the industrial and commercial interests of the country required that large additional amounts should be at once returned to the channels of trade." It appears from this last sentence that the Secretary had in mind, firmly fixed, the belief that it is the duty of the national Treasury to fly to the rescue of the "industrial and commercial interests of the country" whenever any disturbance in financial affairs indicates a money pressure in that particular part of the country where New York city is located; and this conviction, honest though it be, and from the Secretary's standpoint, purely patriotic and unobjectionable, yet, as the farmers and the workers view it, one of the most pernicious doctrines ever imbibed or taught by any American statesman, has become part of our financial policy. Think, dear reader, think; take one good long thought about the suggestion that whenever the men represented by "Wall Street," men engaged in the business of dealing in money because of the profits that come out of usury, men who have no more hesitancy in drawing a mortgage over a railroad system involving millions and millions of dollars, or over a county, or a State, or over the homes of millions of the people, than they have of sailing in a costly yacht on the calm waters of the ocean, or of eating a breakfast of "blue pointers," that when that class of men, after having brought upon themselves "stringency" through a gigantic system of the most brazen gambling, it is the duty of public officers to use the people's money to relieve the "stringency," and to furnish those men with money enough to continue their process of spoliation. Where is the country drifting when our public men stand ready to dip out of the Treasury the people's earnings and hand it over to be traded in by men of this class, who have piled up fabulous fortunes out of the crystalized sweat of toil? While the Secretary of the Treasury, the trusted custodian of the people's treasure, is dealing it out by millions in the purchase of bonds not yet due, and in the advancing of a year's interest, amounting to twelve million dollars, all to relieve what he is pleased to believe a "stringency in the money market" in New York city, while millions of people scattered all over the country are famishing for money. In the Western States farms are being sold by thousands and thousands every year under the sheriff's hammer, turning out a family from every one. Cruel as the process is, and dangerous as such a system must be in rapidly placing our land in the hands of landlords and making renters of our farmers, we find that most of our public men do not recognize the existence of the dreadful fact. We call the attention of our party leaders to these things, and they remind us that it is our business to do the voting, it is their business to do the thinking; it is their business to make the laws, and our business to obey them. When we call attention to the weight of our misfortunes, they tell us we are producing too much wheat, too much corn, we are raising too many cattle, too many horses, too many swine and sheep; that we are forcing upon the market too much cotton, too much tobacco, too much wool, and that we must change our methods of farming; that, being farmers and laborers, we know nothing about great matters of statecraft, and especially that we are endangering our interests and standing by meddling with financial affairs.

If the reader will now go back to the last paragraph quoted above from the Secretary's report, he shall have the remainder. "This," says the Secretary, "was followed by another" (another purchase of bonds and prepayment of interest upon the same terms as before), "dated September 6, inviting holders of the 4-per-cent bonds to accept prepayment of interest on those bonds to July 1, 1891, a privilege which was subsequently extended to the holders of currency sixes. Under this circular of August 30 there were redeemed $18,678,100 4½-per-cent bonds, and under that of September 6 there was prepaid on the 4-per-cent bonds and currency sixes interest amounting to $12,009,951.50." The reader will observe here one item, the last one, of $12,009,951.50 of interest prepaid to July 1, 1891, an advance of that much money to men who have no need of it. The purchases of outstanding bonds not due and payable might be excused upon the ground of paying a debt out of an overflowing treasury, but what excuse can be offered for the advance of a year's interest as a gratuity upon the part of the Government in order to assist men who are engaged in a business, as the Secretary very well knows, and as the rest of the world knows, not of providing the people with money, but of providing themselves with means of getting more money. It is a brazen outrage, utterly inexcusable from any point of view, a course of conduct which ought to be condemned in the strongest terms; and parties and policies which have originated such a system, and which maintain it and propose to continue it, ought to be utterly wiped out of American politics. It is time that labor should be emancipated, the money power dethroned, and the authority of the people restored. The farmer, the working man, the toiler in any and in every department of industry, may ask and plead until he grows hoarse and poor for relief from the "stringency in the money market" in his own case, while the men of Wall Street, at whose beck and call the Government of a great nation goes and comes, are living in luxury and ease at their expense.

Quoting again from the Secretary on the same page (page xxix): "The amount of public money set free within seventy-five days by these several disbursements was nearly $76,660,000, and the net gain to circulation was not less than $45,000,000, yet the financial conditions made further prompt disbursements imperatively necessary. A circular was, therefore, published September 13, 1890, inviting proposals, to be considered on the 17th, for the sale, to the Government, of $16,000,000 of 4-per-cent bonds. The offerings under this circular amounted to $35,514,900, of which $17,071,150 were offered at 126¾, or less, and were accepted."

Here we have six different applications of the people's money, amounting to but little short of a hundred million dollars in less than three months to assist the financial operations of money changers in New York city, when farmers in every State in the Union are pleading for relief from an overpowering depression. Property values are depressed, farmers are scarcely able to pay their necessary expenses, including taxes and interest on their mortgages; wages among working men are being reduced continually, and it is probably safe to say that two million men, besides an army of women, are out of employment, the number of idle people steadily increasing. The writer desires to urge this important matter upon the attention of the people, so that they may see it and study it in all its enormity. The consequence of such a system long continued is inevitably the absorption of all the wealth of the country in the hands of a very few persons. It is going that way now with unprecedented speed. Wealth is accumulating in the large cities, more especially in those of the East, and those accumulations are continually fed by drains flowing away from the country people and working forces in the towns. Dark, deep lines are already visible between wealth and poverty, and they are becoming more and more conspicuous from year to year. It is time that this gigantic system of spoliation be stopped.

# CHAPTER VII.

## NO RELIEF TO BE EXPECTED FROM THE OLD PARTIES.

SEEING these things, farmers are casting about to discover remedies; and looking, as they have always believed they have a right to look, to their party leaders and to the statesmen whom they have made for advice and for leadership, they find themselves under the influence of a power like that of a serpent which charms its victims and holds them fast to the spot. Viewing the situation calmly and without prejudice and passion, it is evident to any thoughtful observer that there is absolutely no ground to expect relief from either of the two great political parties as they are now officered. The party leaders are wedded to the power which is crushing the people. Most of the leaders are old men who have been in the public service a generation or more. They have been moving in one channel, and that channel was opened by the economists of past centuries. Our public men have studied the old systems, systems planned and established by men who, through the lending of money to governments, controlled the legislation of their several countries. All the old works on political economy teach the same doctrine in reference to the distribution and circulation of money. They have taught others as they themselves had been taught—that it is not only lawful but right that after the Government prepares money for the use of the people it shall be given to bankers and to money changers, through whose hands it shall go to the people, and that these bankers and money changers shall be permitted to charge for their services a rate of interest which, presumably, is fixed by the law. Public men and statesmen of later days were trained up in that school, and now they are too old to depart from it. Talk about changing the opinions of a man like John Sherman, who has been following one line of thought and action before the people a period of thirty years. Take George F. Edmunds as another case. These men will not change their views on money. Many others might be named; these are given simply as instances to illustrate the thought that the honor and integrity of our public men need not be questioned in criticising their policies as they have been formulated in our legislation. We must, if we would change this condition of things, bring forward new men, young in the newer and better philosophy that the function of money is a public function, that money is as much an instrument of commerce as railroad cars and ships and vehicles laden with produce passing forward and backward along the public highway upon the same principle that the handling of the people's correspondence is a public matter, and that the transportation of the people's property is a public function. Taking this view of the matter, farmers are fast coming to see that permanent relief to them and to the country must come through a change in our legislation; that this can be brought about only through the medium of a powerful political movement, manned and officered by the people themselves. Hence it is that they are consulting one with another as to the best method of getting together. It is submitted to the workers that by dividing their forces, as they have been doing in the past time among the old political parties they are simply wasting their energies and frittering away their opportunities. The thing to do is to strike hands and pledge themselves one to the other, as the patriotic fathers did, that come what will they will stand together until this great work of emancipation is accomplished. This does not imply or even suggest the disintegration of any one of the labor organizations which are now in existence. Let the Granger remain a Granger; let the Alliance man remain with his Alliance; let the Knight of Labor stay with his own assembly; and so of every other body of organized workers. Let them go along with the local work, every one doing his utmost to bring in new workers and to spread the leaven of liberty and equality among the masses; but let us get together delegates occasionally and see upon what common ground we can meet and unite our forces for combined political action. The railroad companies and the cattle dealers united their forces years ago for the purpose of making money. So it has been with the ranchmen of the West. So it is with manufacturers. So it is with bankers. While their individual and local interests are separate and distinct from one another, yet they have a common interest. Hence they form organizations. There are bankers' associations, manufacturers' associations, importers' associations, railroad associations, and the great father of all of them is the Stock Exchange in Wall Street in New York city. Now, let the farmers and their co-workers learn from the lessons which these things teach; let them organize, not only for social purposes (for the railroad builders and bankers and manufacturers did not organize for social purposes only), but for business; let us organize for business, and let that business be one of intense political power; let us organize ourselves into one grand national body for political purposes only, each separate organization maintaining its own individuality for its own special purposes, doing its own line of work; but inasmuch as our political interests are identical, let us strike hands and make common cause until we have restored the Government to its rightful inheritors, the people, and until we have achieved a victory which will give to us that which is ours. We ask for nothing that we are not willing to give to our fellows. We are not clannish; we want only that which is due us. Let us unite with that great object in view, and we can not help succeeding.

# CHAPTER VIII.

## GOVERNMENT CONTROL OF TRANSPORTATION.

ONE of the avenues of escape from present difficulties is through the public control of transportation. This does not mean Government ownership of existing means of carriage, whether on land or water. When political platforms urge Government ownership of railroads they state the case not only loosely, but somewhat wildly. It will be observed that so far as the present new political movement among the masses of workers is concerned, the language used concerning this matter of public control of transportation is more guarded. It is *control of transportation* that the people are talking about, and not the Government *ownership* of existing railroads and boat lines. The difference is important, as will be seen further along.

There are several reasons why the Government ought not to obtain ownership of existing lines of transportation. A few of them may be mentioned. In the first place, the railroads of the country are indebted about four times as much as they are worth, and the first step in negotiating a purchase would be the ascertainment of the exact amount of indebtedness. The second step would be to pay that amount to the persons entitled—stockholders as well as bondholders. By reference to table on page 23 of *Statistics of Railways in the United States for 1889*, prepared by the Interstate Commerce Commission, it will be seen that the amount of indebtedness shown on the books of companies reporting, representing 153,385 miles of road, is $9,015,175,374; this is the capitalization of the roads, and it is equal to $58,775 per mile of line. For one half of that sum the entire mileage could be duplicated, so we would be paying for the roads twice as much as it would cost to build them. Second, there are too many railroads in the country now. If railroads were builded under Government surveillance so that none were permitted where they are not really needed, we would to-day have not more, perhaps, than 75 per cent of the mileage that we are now operating. Then, most of the lines are unnecessarily crooked. Nearly all of the roads builded by the aid of land grants or by municipal subscriptions to stock are crooked, not lying on lines which would have been selected had there been nothing in view but the building of a road for profit upon the capital invested. Third, if the roads were purchased the money to pay for them would go into the hands of men and women who are now wealthy, and who would use the money for purposes of investment in some other sort of securities in order to draw interest out of the labor of their fellow-men. These are good reasons why the Government should not undertake to purchase the roads, the first one being all-sufficient. It would be folly to pay for anything more than it is worth when there is no necessity for it. In place of that method of obtaining control of transportation, let the people build such roads as they need.

At this point it may be well for a moment to stop and consider what is meant by the word "Government" when used in this and like connections. We say the Government should build railroads; the Government should own transportation; the Government should issue money, etc. It is common for persons to use the word "Government" in these connections as if it were some foreign entity, some great power wholly disconnected from the people, in no way responsible to them, whereas in truth it is simply the agent of the people; it is an organized machinery through which the people execute their will; it is made up of officers elected or appointed in pursuance of established law or usage, representing the people and the people only. The three great departments of Government, legislative, executive, and judicial, operating as one, form the Government of the United States. Understanding the word in that sense, we see that when the Government does anything it is being done by authority of the people, and presumably for the general welfare. Now, then, let the people, through their agent the Government, build such railroads as they need for their own use. To illustrate the proposition suppose that we build a double-track freight railway north and south across the country between the Mississippi River and the Rocky Mountains —say, extending from a convenient point along the northern line of North Dakota to a convenient point on the southern line of Texas, so that the grain, the meat, the cotton, and the fruit of that magnificent region could be transported to the Gulf and commodities shipped in from other countries brought back to supply the people. Let a dozen or more sections of the road be under process of construction at the same time; let a hundred thousand men be employed, if that many are necessary, or more; let them be paid Government money at the end of every week for all the labor they perform; let every manufactured article used in the work be paid for as it is purchased, so that, as the work proceeds, no debts are left. When the road is completed, say it has cost $50,000,000; it is all paid; there is no debt upon it; there are no stockholders; there are no bondholders; the people own the road; it is public property, the same as a public building or a common highway. It is not only paid for, but the people who builded it have the money that paid for the building. Not only that, the road and its equipments may be considered a basis of value for the money which was issued for its building, so that if persons insist upon having some sort of labor basis or property basis for the paper money they use, here you have it in perfection. If the road cost $50,000,000, it is worth $50,000,000. The money which was paid out for its construction may be said to rest upon the road for its basis. Not a dollar was paid until labor to its full value had been performed. The money represents labor, and there is the property—labor's product—to show for it. In this case we have not expended a dollar which was not necessary; there is no watered stock; there is no investment upon which to base charges; the people, besides having their own road and having the money that paid for the work, have the use of the road for just what the handling of their property will cost, without reference to capitalization. This would bring transportation down to actual cost, the people themselves using the road, upon the same principle that the traveler uses the public highway. He is not charged anything for the present use of the way; he is charged, however, in taxes a fair proportion of what it costs to keep it in repair. We pay for the building of the new road as it proceeds. After it is builded the only expense attending its use is the cost of keeping it in repair and handling the property which passes over it. These charges the people pay when they use the road.

The principle involved in public ownership of railways and other necessary agencies of commerce is well stated in Prof. Ely's *Introduction to Political Economy* on page 82: "It may, perhaps, be laid down as a general rule that when in any class of business it becomes necessary to abandon the principle of freedom in the establishment of enterprises, this business should be entirely turned over to the government, either local, State, or Federal, according to the nature of the undertaking." In the beginning it would have been folly for the General Government or the State governments, or even a county or town government, to go into the building of railways; because only a very few persons, comparatively, needed any other means of transportation than were then at hand in wagons and ordinary vehicles used about farms and on streets of towns and cities. The first three years of railroad building in this country gave us but about 30 miles of roads, and they were used chiefly to connect stone quarries, coal mines, and the like—a mile or two in length, the cars drawn by horses. Passenger railway traffic was not dreamed of. In time it became important to connect distant points for general purposes of trade. Between 1830 and 1840 our railroad mileage was extended from 23 miles to 2,816, increased to 9,015 in 1850, to 30,600 in 1860, and now we have something over 164,000 miles. In course of time, from a private convenience railroading became a public necessity; and, as it has been always with the development of any great industry, as it became more general it attained greater power over the people and their interests. We find now that this vast system of railroad mileage, capitalized at an amount very nearly, if not quite, equal to the value of all the farm lands of the country, is practically controlled by half a dozen men, whose power is in some respects greater than that of all the people. A great railroad company, like the Pennsylvania, for example, has a little army of trained lawyers at its command—at least one in every county where the road has any interests. A system like that controlled by Jay Gould has in its employ probably not less than one thousand lawyers, and they the most competent to be obtained at the places where they are employed. When any question of great interest to a wealthy railroad company is brought forward, it is found that all the important avenues to the courts are brought under control of the interested corporation. So strong have these great corporate bodies become that a poor man is wholly at their mercy, and they will flay a community, a county, or a State, not only mercilessly, but without ceremony. Millions and millions of dollars have been taken from the people by this organized rapacity. So dangerous have these great corporations become that they are a standing menace to our institutions; the people are largely in their power. The time has come, in accordance with the principle above laid down, when it is necessary in the public interest for the people to take control of public transportation. The same rule applies in the matter of street railways, and in the lighting of cities and the furnishing of water. It will not be long until the heating of dwelling houses in the large cities will be a matter of public concern. It is for these reasons, summarized in the two words—public necessity—that the people should own and manage all public transportation and communication, just as they now do the means of handling the people's correspondence through the transportation of mails.

In connection with this sort of legislation, Congress should at once open the way for commercial reciprocity with all nations trading with our people. Let our enterprise cover the whole earth, giving our artisans and mechanics, as well as our farmers, the whole world to work in.

The tariff laws should be so modified as to distribute the burdens and benefits more equally. Give farmers and working men an even chance with manufacturers and salaried officers. Protect all or protect none.

As a further preliminary arrangement, let Congress assert its constitutional authority over interstate commerce by protecting the people against fraud and imposition in trade. Let every article of general use, as grain, flour, cotton, live stock, meat, fruit, tobacco, etc., be declared articles of interstate commerce, and prohibit by severe penalties all unlawful interference with traffic in them. Let all combinations to affect prices of commodities be declared to be conspiracies against the common rights of the people, punishable by imprisonment and heavy fines. Treat all species of stock and grain speculations not in the ordinary course of legitimate trade as gambling; declare that and dealing in futures to be felonies punishable by imprisonment. Organize the railroads into one great system, and let reasonable and uniform charges be made for like service in all parts of the country. If transportation cost more in one part than in another, there will be an easy way of adjustment when all the balances are struck in one office.

We need such a change in our election laws as to insure an honest expression of the popular will. Let every citizen vote intelligently, let his vote be counted fairly and returned honestly.

# CHAPTER IX.

## THE DEBT BURDEN.

THE most pressing want of the farmer is to get rid of debts for which his home is mortgaged. It was not generally believed until recently that the clamor about individual indebtedness of our people had much foundation in truth. The most extravagant guesses upon the subject came short of the cold facts, which Mr. Porter, of the Census Bureau, is giving to us. The writer of this made an investigation of the subject, examining such sources of information as were within his reach, and came to the conclusion that $1,000,000,000 would about cover the entire indebtedness of the people in town and country for which their homes were mortgaged; but enough has already been shown by the Census Bureau to make it probable that the estimate is too short by at least 60 per cent. While the census figures have been given for only two States—Iowa and Alabama—yet such general statements are made in the bulletin reporting those two States as to show with reasonable certainty that the aggregate debts resting upon the people's homes will reach the enormous sum of $3,750,000,000. This seems incredible, yet how are we to avoid that conclusion in face of what really appears? There are 2,785 counties in the United States; every one of those counties was visited by one or more agents of the Government, who searched the records carefully, taking the entire period between 1880 and 1890, estimating as nearly as possible the amount of debt due on the 1st day of January, 1890; and those agents forwarded from their respective counties abstracts of mortgages—9,000,000 in number—covering ten years. At least 2,500,000 of them were in force on the 1st day of January, 1890. There are thousands of cases where a second mortgage was taken to secure the commissions and fees of the agents who negotiated the loans. The second mortgages, however, are not included in the list given in the census report; they are all taken as interest, and included in the interest account. For example, one county in Kansas—to wit, Linn County—reported about a year ago some 2,500 farm mortgages on record, of which 1,000 were of the class known as "second mortgages," given for commissions and other fees of the agents. In the census report all such second mortgages are included in the interest account, so that the report as given shows 9,000,000 original mortgages in sums which are unquestionably a lien upon the homes of the people.

Two thirds of the mortgages, or about that proportion, rest upon farms, one third upon city and town lots. That gives us now 1,666,666 on farms and 833,333 on lots.*

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* The Census Bureau has not yet published a detailed report on this important matter. It appears, however, from what is already known that in some portions of the country the amount of mortgage debt due on the first day of January, 1890, was nearly, if not quite, one half as much as the aggregate amount recorded during the ten years. I had put the general average at two fifths, or 40 per cent. That gives us 3,600,000 mortgages due January 1, 1890, of which 2,400,000 may represent farm mortgages and 1,200,000 town mortgages. But it appears from Mr. Porter's recent statement, before referred to, that no mortgages are counted except only those on lands and lots occupied by *owners*, and that the total number of such mortgages in force January 1, 1890, does not exceed 2,500,000, or 28 per cent. Not more than two thirds of our 5,000,000 farms, or 3,333,333 farms, are occupied by their owners; and if, as appears, there are 1,666,666 mortgages on them, one half of them are mort-

Again the thought is repeated that this seems incredible, and yet here are the figures before us. But why should we be startled? Farmers are not reputed as accomplished financiers like men in other lines of business. It is generally conceded that railroad managers stand at the head of the best educated class of business men. For shrewdness, for foresight, for careful and close management, they are placed in the very forefront of commercial men; and yet it appears that the railroads of the country are indebted at least four times as much as they are worth. It is not usual among a certain class of economists to consider the stock account of a railroad company as indebtedness. It is regarded rather as a source of governmental power to be used in the political management of the road, not having reference to politics in the ordinary acceptation of that term, but the handling and manœuvring of the business independently of persons who have a direct claim upon the assets of the company in the way of recorded indebtedness, or such indebtedness as is evidenced by paper that can be put upon the market, and paper that can be presented and payment upon it demanded; but there is no good reason for setting the stock account to one side and using only the bonded indebtedness when we are considering how much the railroad companies are involved. This thought may be made plainer by putting it in this way. Say that a certain railroad company is about

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gaged. If the Iowa average ($1,283 to the farm) holds good for the whole country, the total farm-mortgage debt of the people is $2,138,333,333. It is more than that, probably, because eastern loans are generally larger than western. Exact figures can not be given until complete census reports are published. I believe it is safe to put the aggregate farm-mortgage debt of the country at $2,500,000,000, which is 300 per cent more than my estimate before any census reports on the subject were published. And if town and city house mortgages equal one half those of the farms in amount, the sum total equals $3,750,000,000 on houses occupied only by persons who claim to own them.

to go out of business. The first thing it does is to pay its indebtedness. Every stockholder as well as every bondholder has a claim upon that road; say the bondholders' bond is $1,000, say the stockholders' stock is $1,000. The road—the property of the company of every sort and description making up what we call the "road"—is indebted to the stockholders $1,000 in the settlement, just as much, just as honestly as it is indebted to the bondholders $1,000. It is for that reason, the reason that the stockholder has a claim on the road for every share of stock he owns, that in making up the estimate of total indebtedness stocks and bonds both are included. Taking that as a standard, the indebtedness of the railroads of the United States is at least four times what they would sell for if put upon the market to-day. And more than that, by taking a broader standard of measurement, they are in debt four times as much as their assessed valuation for taxes. In the Western States generally the roads are assessed at an average of $6,000 to $7,000 per mile; that is presumably what they are worth on the market; their capitalization amounts to from five to eight times that amount. In Kansas the capitalization of the railroads is $456,000,000 in round numbers, while their assessed valuation is put at $57,000,000; the books of the companies show the former amount, while the books of the tax gatherer show the latter amount; capitalization $8, value of the road $1. The farmers, while not being reputed as good managers, and while being rated as thriftless, wasteful, and extravagant, yet even at $2,500,000,000 for their aggregate mortgage indebtedness, they can show on the tax rolls of their respective counties an amount quite as large as that. In other words, the farmers' debts are not greater than the assessed valuation of their property, while their shrewder and more competent competitors in business—the railroad managers—have in some way fastened upon their roads debts in proportion vastly beyond that which rests upon the farmers.

And, as shown further by the census report, the interest on this indebtedness is exorbitant—three, four, five times, even twenty times the average increase of wealth produced by labor in the ordinary form, which is about 3 per cent. Farmers find that difficulties in the way of payment of their debts are increasing from year to year, that it is growing constantly harder to meet their obligations. If, then, enough money could be obtained by the farmers to pay off their indebtedness, other things being equal, they would be wholly relieved, because they are producing as much wheat and as much corn and as much cotton, and raising as many cattle and horses and swine as they ever did and more; they are producing as much hay and as many potatoes and as much of everything else which goes to make up the ordinary living of a family. Relieve them of their debt burden and they would be free indeed.

But there is a great deal more about it than the mere payment of a debt. To pay with borrowed money would leave them in no better condition than they are now, unless the money which they borrow can be obtained at a rate of interest that they can afford to pay. And there is where the difficulty appears. If money could be obtained at, say, 2 per cent, which business generally would afford and no more, it would be a comparatively easy matter for the farmers to pay interest on their debts out of the profits in their business, and at the same time have a small margin left every year to apply upon the principal. At a 2-per-cent rate the average farmer would pay out in the course of fifteen or twenty years at most; he would pay his debt and save his home. But how is he to obtain money at 2 per cent? How is he to obtain money at anything less than he is paying now? How is he to renew his loan except at the discretion of the owner of the money which he borrowed, or of the agent who negotiated the loan? He is at the mercy of his creditor, and that being true he is practically powerless, for the creditor is not a man to be trifled with. That brings us up to the question whether money can be obtained at lower rates of interest, and if so, how? for it may as well be admitted now as at any other time, the plain, naked truth is, that unless lower rates of interest can be obtained, one half of our farmers will be renters within the next ten years, and one half of the remainder in another ten years, and by the time the nineteenth century is ten years past the occupied lands of the country will be owned almost wholly by a comparatively few wealthy men. Let us, then, take up the subject of cheaper money.

# CHAPTER X.

## MONEY A NECESSARY INSTRUMENT OF COMMERCE.

PERSONS who have been out among the farmers and the working people as a class, and have talked with them about financial matters, have discovered that the farmer is an honest man. They learn that first of all he is anxious to know whether the phrase "cheap money" means either dishonesty or any sort of repudiation. He denounces the charge that he is a repudiator, or that he wants to get rid of his obligations in any other way than to meet them just as he promised to do. But he finds himself encumbered beyond present ability to pay out. He finds, further, that the interest rates are so excessively high that by the time he pays his interest and his taxes and other necessary expenses, and meets the many little demands that are made upon him by reason of social and religious connections, he has nothing left to pay upon the principal. Every year he is three hundred and sixty-five days nearer the end of his journey; his wife is growing old faster than he is; his children are coming on, and the prospect is that, unless there is some favorable change in financial methods, he will eventually lose not only his home, but lose all of the profits upon years of toil, getting nothing out of them except a bare living. Still, he would rather that his home should go, and that his family should be turned adrift to shift for themselves, than to leave to them a name that could be justly charged with dishonesty. The farmer is an honest man; so is the wage worker. Ninety-nine out of every hundred men and women who toil for a living are honest people. They want to be as true to their obligations as the untutored child is to the truth. So it is that the first question which the farmer asks when you talk to him about cheap money is: "Is it honest? Will it be treating our creditors fairly to obtain cheap money?" Then the question arises, What do we mean by cheap money? The meaning of it is this: That the interest charged for the use of money shall not be any greater than the profits upon ordinary business. That is what is meant by cheap money. It is not meant necessarily that we shall do away with silver or gold coin as money. It is not meant necessarily that we shall flood the country with what is commonly called an irredeemable paper currency. It is not intended that there shall be a great mass of money beyond the needs of the people manufactured and given out to every person who calls for it, the same as rations are distributed to people who are unable to provide for themselves; but it is meant that the people shall have money enough provided for them to transact their necessary business; that they shall not be charged for its use any higher rate than they themselves, speaking generally, can obtain out of the profits in their own business. Is a money lender any better than a farmer? Is a banker any better than a bricklayer? Is a millionaire entitled to more privileges or advantages or protection under the law than the wage worker in any line or department of work? Briefly, is there any reason why persons who have money at their command should be permitted to prey upon their fellow-men, and make out of their toil greater profits than the toilers themselves? To illustrate the thought: Mr. A and Mr. B each has $10,000 in money to invest. A invests his money in a farm; B invests his money in mortgages drawing 10 per cent interest. A, in order to make any profit whatever out of his investment, must put his farm to work; he must either perform the labor himself, or employ some other person or persons to do it and pay them for their services, or he receives not one dollar's worth from his $10,000 invested. Not only that; the neglect of his farm will result in its growing up to weeds and trash, the fences will go to decay, the buildings will rot down, and in every conceivable way the farm will depreciate in value and be absolutely worthless; while B, without turning his hand, without doing any manner of work, without paying any sort of attention to his investment—leaving that entirely to his agent—receives at the end of the first six months $500, which is 5 per cent on his $10,000; at the end of the next six months he receives another $500. At the end of the year he has received $1,000 without in any manner whatever exerting himself to any extent or in any degree with respect to that investment. Now, let the reader think a moment about the philosophy underlying these two transactions, and search for the reason of the difference between the sources of the incomes of the two men—that one is compelled to work in order to realize any income from his investment, while the other, making exactly the same amount of investment, needs do no work whatever, though his profit is 10 per cent. In one case the man himself must work; in the other, somebody else does the work. It comes from the custom of allowing certain citizens to charge their neighbors interest for the use of money.

Money is a necessary instrument of commerce, and ought not to be freighted with any charges beyond the mere cost of its issuance. Interest is wrong in principle. We have been accustomed to it so long that it never occurred to us that there is anything about it which is not in itself altogether right. It seemed to us that a person who had money had just as much right to lend it at interest as a person who had a house had a right to let it out for rent. We put money and other property upon an equality so far as its paying a commission is concerned; but we have not been in the habit of putting money and other commodities on an equality so far as the profits which are derived from their use by borrowers are concerned. Here, then, lies the trouble and the remedy. The trouble is excessive usury, and the remedy is to get rid of it. The principle involved will be further discussed as the argument proceeds.

Returning to the farmer's suggestion about whether this is an honest proposition, let him ask himself the question whether it is honest for him to be permitted to use the public highway without any charge. Is it honest for him to ask the Government to carry a letter for him a thousand miles for two cents, when it would cost him $50 to have it carried by private hands? Is it right for him to ask the Government to regulate freight charges on railways and ferries to a rate below that which would be charged if there were no such regulation? In other words, is it honest for him to ask the Government to interfere in behalf of the people in respect to any of these things in which the common good of the people renders Government interposition necessary? Money is one of the necessities of civilization. Dollars are as necessary as wagons. They are as necessary as railroad cars and ships and canal boats. In order that a fair estimate may be made as to the necessity for the use of money, let one imagine for a moment what would be the condition of things were money absolutely withdrawn, so that there would be no money for any man or woman or child to use. Then, in connection with that, imagine the stoppage of all transportation. Cut off the towns from the country and the country from the towns; close up all the highways, all the railroads; anchor all the ships; close all the banks; bury all the money; in sixty days half the world would be dead and half the remainder starving. At the end of the year not more than 25 per cent of the population of the civilized world would be living, and they would be such as happened to have a year's supply ahead of them. The farmer to-day does not carry over supplies like his predecessor did. He relies now very largely upon the merchant and the carrier. Throughout all the Western States a wheat crop is all thrashed at one time, and the grain, except such as is needed for seed, is disposed of as rapidly as it can be hauled to the nearest market town. So it is as a general rule with all the surplus stock on the farm. It is disposed of in large quantities. In traveling thousands of miles over that magnificent Western region beyond the Mississippi, and even on large tracts east of that river, a smoke house is rarely seen; on many farms the barn is hardly large enough to accommodate the work horses and the milch cows; no bins, no granaries, no places to store grain, no sheds to store surplus "roughness." There is a constant interdependence growing between the farmer and the manufacturer and the carrier and the merchant. Anything which would destroy this relation would not only revolutionize but impoverish, and in a short time starve, the world. So it is seen that money is an absolute necessity. The farmer doesn't make shoes now; he doesn't make clothing; he makes very little of what he uses, except the crops which are produced upon his land and the live stock which he raises; and the surplus of these he disposes of at once, relying upon his neighbors in other lines of work for his daily supplies. That being true, all the people are interested alike—not to the same degree, it is true, but exactly alike—in this matter of money. Every man, every woman, every child that is thrown upon its own resources, must have money. We can not exchange our wheat for shoes, nor our corn for hats, nor our cotton for machinery, but we can exchange any one of these articles, and to any amount, for money, and we can obtain the needed supplies with money. This brings us to where we can understand what the real function of money is—namely, *to serve a public use.* What the highway and its moving vehicles laden with produce do in the movement of commodities, money in circulation does in the exchange of values; as it is with the highway, so it is with money—the function of both is to serve a public use.

Before discussing further the philosophy of money and illustrating its uses and functions, let it be understood, to begin with, that the underlying proposition involved is that *money is a necessary instrument of commerce.* This proposition is not a new one. It has been suggested many times by economists, by statesmen, by lawyers in their briefs, and by courts in judicial decisions. Daniel Webster, in some of his most memorable speeches, asserted the doctrine. The Supreme Court of the United States has affirmed it, and it probably will not be disputed by any person claiming to have thought upon the subject. It is well that this be kept in mind. Money is a *necessary* instrument of commerce—not simply an instrument, but a NECESSARY instrument. Let it be inquired at this point why the people empowered Congress to regulate commerce among the several States? What is it to have such a thing as a regulation of commerce? Why is Congress authorized to levy duties upon imports? Why is Congress authorized to levy taxes upon the people? There is but one answer. All of these things are public functions, and besides being public functions they are classed among the prerogatives of sovereignty. The people of the United States constitute a nation. Congress represents our legislative power, courts represent our judicial power, the President and his subordinate officers represent our executive power. All of them combined are called the "Government." Acting in harmony they are an agent of the people for the purpose of executing the popular will. The reason why Congress was authorized to take charge of the commerce of the people is that when the people of the several States undertook to regulate commercial affairs among themselves it was found to be utterly impracticable. One of the principal reasons for adopting the Constitution and organizing a new government under it was that there might be a central authority somewhere to exercise the sovereign power of the people. Commerce means simply trading among the people, selling and buying, buying and selling, carrying property, exchanging values, moving things from place to place. The people are all alike interested in this matter, and for that reason chiefly the Government is empowered to take charge of it and to regulate it—not to please the Government, but in the interest of the people. From that comes the power to open and maintain thoroughfares; from that comes the power to take away lands belonging to the people; to move their houses and their fixed improvements in order that a highway may be opened there, that a canal may be cut through, or a railway constructed. These things are done in the public interest, for the common good. The land is taken because the public demands it; the property is used because the public wants it; it is all done to promote the general welfare. The railroad is as much a need of commerce as the common highway—indeed, it is much more important now, if such a thing could be, than the common highway, because producer and consumer are many miles apart. Wheat and corn grown upon a Kansas farm are used in Philadelphia, in New York, in Boston, in Liverpool, in London; it is carried to all parts of the world. Wool produced among the mountains of Montana is carried to Boston, manufactured there, and scattered all over the world. The internal trade of the United States, measured either in tons or in dollars, exceeds the aggregate foreign commerce of any half-dozen other nations. Its value is almost beyond computation. One of the essential parts of this vast system of trade, absolutely necessary for transacting it, is money. Without money commerce would cease; without money all movement of trade would stop; without money there would be no business; all exchange would be barter, and that would take us back to barbarism.

# CHAPTER XI.

## CONGRESS MAY REGULATE INSTRUMENTS OF COMMERCE.

IF, then, Congress is authorized to regulate *commerce* among the several States, it is also authorized to regulate the *instruments of* commerce. It may prescribe what kinds of roads and ways shall be opened; what kinds of vehicles shall be run on them; what shall be the rate of toll; whether, indeed, any person other than authorized agents of the Government shall be permitted to manage and to control the ways. The same power which authorizes the Government to open and maintain highways, post roads, and the like authorizes it to build roads for the people without the intervention of any corporation whatever; to build the roads, to own them, to manage them in the interest of the people; and this right to regulate commerce includes necessarily—not only impliedly, but *necessarily*—every function essential to the work. That makes it plain that it is not only within the province and power of the people through their agent, the Government, to regulate money as an instrument of commerce, but to regulate its quantity, to regulate the manner of its issuance, to dictate the material out of which it shall be made, to prescribe the form, the inscriptions, and devices which shall appear upon it, to prescribe the amount which shall be issued, the channels through which it shall reach the people, and to regulate the charges for its use. If, then, the Government may not only make the money as it is doing now—

that is to say, performing the mechanical work—and dictate the material out of which it shall be made and regulate its value, but also regulate the manner of its issuance and provide the ways and means by which it shall reach the people, and may also regulate the rate of charges to be exacted for its use among the people, there is no reason why the Government should not do for the people directly what it is now doing for them indirectly through banking institutions, and permitting the banks to charge a very high percentage for their services. If the Government may issue a hundred million dollars in bank notes to banking corporations upon the deposit of Government bonds as security and then permit the banks to lend that money to the people at 10 per cent interest, what is to hinder the Government from lending the money directly to the people and taking their property as security, just as the banks do? Is not the property which the bank takes as security for money obtained from the Government—and which security the Government is ready at any time to enforce in favor of the bank—quite as good security to the Government itself as it is to the bank? and could not the Government enforce the security in the interest of the people at large as easily as it can enforce it in favor of the bank? We all understand very well that as soon as a creditor believes his debt is in danger, or that his debtor is unable to pay, he goes into court, states the amount of the debt, that it is due and unpaid, mentions the particular piece of land which is held as security, asks judgment for the amount of money due and a decree ordering a sale of the land to satisfy the judgment. If the government—State or national—can dispose of real-estate security, and thus collect the debt for a bank or for a private individual, as it is doing every day in the year, there is no reason why, with the same machinery, the same officers, and under the same laws, it could not enforce the collection of debts for itself in the name of the people. Another case: Where a county encumbers itself with debt to aid in the construction of a railway or of a bridge or of a public building and the debt is represented by bonds owned by individual persons and the bonds become due and are not paid, the bondholders go into court — either the State or United States Court, as may be proper under the circumstances—and ask enforcement of the obligation, that the debt be collected. The creditor has nothing further to do. The machinery of the law is at once put in motion, necessary process issued, the debtor is brought into court, the case adjudicated, judgment rendered, and a decree issued that the debt must be paid. Taxes must be levied upon the people; the levy must be made by the regularly constituted officers, and when the officers neglect or refuse to levy the taxes, as they sometimes do, they are adjudged to be in contempt of court and are imprisoned. In case imprisonment does not bring about the necessary levy of taxes through regularly appointed officers, the court in due time will appoint its own officers to levy the taxes, collect the money, and pay the amount due over to the creditors. This is done under the law by tribunals already established, and these same laws and these same tribunals would be used in the same way and with the same powers —no more, no less—to collect debts due the Government and pay the money into the Government treasury. So, we see, we now have all the necessary machinery ready for the inauguration and management of a system by which the people can control their own financial affairs in their own way.

# CHAPTER XII.

## DISCRIMINATION IN FAVOR OF MONEY.

The changes in our social condition within the last fifty years have been so many and so important as to work a complete transformation. The effect of competition has been marvelous, and upon the farmer it has been more marked, if possible, than on any other class of citizens. In the beginning of our national career 90 per cent of the people lived on farms, and farmers owned at least 85 per cent of all the property in the country. Now 40 per cent of the people live in towns and cities, and farmers and their helpers do not exceed 45 per cent of the total population of the country. One third of them do not own the places they occupy, and about one half the rest live in homes that are mortgaged for more than they would now sell for in the open market on thirty days' notice; they are crippled in all directions, and have lost their rightful influence in politics. The farmer has been shorn of his power to help himself in a thousand and one little ways that once were familiar to him. He is now at the mercy of combinations which are in effect conspiracies against the common rights of the people; his grain is sold in the markets long before he harvests it; the packing houses and the railroads have cut off all competition in the matter of live-stock sales; bulls and bears in the grain pits have relieved him of all personal influence in the matter of the disposition of his crops. His necessities require the use of large amounts of money, and the money volume of the country has been contracted so that his debts are increased 100 per cent, while the value of his products has been diminished on the average nearly 50 per cent; his taxes and other money demands which are made upon him have largely increased, thus multiplying his debt burdens by three.

And now we have come to a point where we begin to ask ourselves why it is that money is the only commodity which the law specially protects. There is nothing in our legal codes fixing the prices at which wheat, or corn, or cattle, or cotton, or iron, or wood, or wool, or anything except money shall be sold. If a citizen or any number of citizens were to ask Congress or a State legislature for the enactment of laws fixing the price upon articles of ordinary commerce, such persons would be regarded as not only fanatical, but actually crazy. No such proposition would be listened to by our lawmakers or by any considerable number of the people. It is utterly impracticable; it would be wrong in itself. It would be an act of oppression which the people would not and could not very long tolerate. But as to money, nearly every State in the Union has laws concerning the value of that. These laws relate to what is commonly known as interest. In most of the States the rate of interest is fixed by law, ranging from 5 to 12 per cent. In some of the States the lender is permitted to charge all that the borrower's necessities compel him to promise, but an ordinary contract would be set aside if it were unconscionable. The legal rate in Louisiana is 5 per cent per annum; in most of the other Sates it is 6; in some of the Western States the rate runs as high as 12; in Arizona, California, Colorado, Florida, Maine, Massachusetts, Montana, Nevada, Rhode Island, Utah, Washington, and Wyoming any rate may be charged for the use of money; but for labor and for the use of any other kind of property, the law prescribes that it must be *reasonable*. There is no law in any of the States which pretends to regulate or in any way interfere with the charges which one person may make for his services, or the price which he may set upon his property when he sells it to another person, except that it must not be unreasonable. In case any question arises as to what is a proper charge for personal services or for property, it is determined by a jury; and the rule laid down invariably is the market price of the particular article at the particular place and time; but when it comes to determining what shall be charged for the use of money there is always a statute governing the case, and that ends the dispute. If there is no rate fixed in the law, it is provided that whatever is shown to have been the contract, the courts will enforce. The question is now submitted to the people for their consideration, by what rule of equity, by what rule of common sense, by what rule of justice between man and man, is money entitled to any greater consideration than any other article bought and sold among men? Why should we be required to pay a fixed sum regularly from year to year and from one generation to another for the use of money, when the prices of our products out of which we are to pay the interest are continually fluctuating? The same rates of interest which now prevail in the country in most cases were in force fifty years ago, yet there is a range in the market value of our products of from 5 to 50 per cent in the course of a single year. Corn may be worth on an average twenty-five cents a bushel on the 1st day of December, and worth fifty cents a bushel on the 1st day of the following July. Wheat changes its market value, and cotton and all other products in the same way and frequently to the same extent; but as to money, if the rate is 6 per cent it is 6 per cent all the time; if it is 10 per cent it is 10 per cent all the time; there is no variation; and what is still more singular, if possible, is that the rate of interest has always been, as it is now, higher than the rate of increase upon property generally. It has been stated in these pages several times already that the regular annual rate of increase in the ordinary productive industries of the country does not exceed 3 per cent, and it has been shown that as to agriculture, taking the whole field of the country to work upon, during the last forty years, the increase does not exceed 2 per cent, and that at the time of this writing it does not exceed 1 per cent net; yet we are compelled to pay for the use of money not only the rates established by law, which do not go below 6 per cent in any case except one—that of Louisiana—and in many cases, as the Census Reports show, as high as 40 per cent, and even more. We see from this that there has been in law continually from the beginning to the present a discrimination in favor of money, and against all other classes of property, and against labor. It is on that account that the people are now inquiring why this discrimination. They see as its effect the rapid concentration of the wealth of the country in the hands of a few persons. Less than 1 per cent of the adult male population own more than 50 per cent of the total taxable wealth of the country.

## CHAPTER XIII.

### REGULATION OF COMMERCIAL AGENCIES.

AND, further, let us consider the functions of money in connection with other commercial agencies, as ferries, roads, bridges, public buildings, street railways, street lighting, water supplies, etc. In every rural community where flouring mills have been established the law prescribes a rate of toll which the miller may demand and receive for his services. When a ferry is established it is always done under authority of law, and rates of toll are prescribed, so that the people shall not be charged exorbitant rates, and that there shall be no discrimination against one person and in favor of another. When a railway is opened in the country it is done in pursuance of law; the law prescribes a maximum rate of charges, and if there is no statement in the law concerning discriminations, it is the intention of the law—and the courts always so decide—that any discrimination against one person or place in favor of another person or place is unlawful. So with street railways; whenever one is established it is in pursuance of law, and invariably the rate of charge for service is fixed by the law. Under the law concerning inns and innkeepers, while there was never any attempt to fix prices which might be charged for the entertainment of travelers and boarders, yet it was the common law of England, it is the common law of this country, that there shall be no discrimination in favor or against any persons or classes of persons in any matter of right which the traveler may claim; that is to say, a public innkeeper is required to admit all sane, healthy, orderly persons who are able to pay the usual charges for entertainment if he has room for them. So in a public mill, the miller must receive and grind the grain of every person who in an orderly way brings it to him. The ferryman is required to pass all well-behaved persons across the stream, and at the same rate that the law permits him to charge other persons. The railway is required to transport property and persons at or below the rates written in the law, and the charges must be the same to all persons for like services. It is so in the street railway; it is so in all matters where the people through their Government have undertaken in the public interest to regulate the business of persons and corporations who serve the public.

Let the reader fix in his mind the difference between these classes of business and those which are purely of a private nature. The farmer, for example, is carrying on a business which is strictly private; he produces corn and cattle, cotton and wool, to sell to his neighbor; his farm may consist of ten acres or a hundred acres or more—a small portion of the earth where he in his own little world makes a living for himself and his family and sells his surplus So with the shoemaker, the tailor, the carpenter, the brick-maker, the stove-maker, the weaver, the ironmonger, or with any other person who is simply working for himself without respect to the public at large. He is earning his own livelihood in his particular calling, disposing of his surplus products to his fellow-men around him, and in that way he earns his living. But there are some things that must be done for the accommodation of the people at large. Crossing a river at a particular point is a great public convenience. It is neither comfortable nor safe for men, women, children, and animals to wade or swim across a large stream of water; therefore, it becomes a matter of public importance that a ferry be established or a bridge constructed in order that the people may pass over comfortably, safely, and quickly; so the people, through their agent the Legislature authorize a particular person or number of persons to pass the people forward and backward across the river, demanding for the service a reasonable charge. So it is with the railway. Persons living in one part of the country want to transport themselves and property to another portion of the country. The railway becomes necessary. The people authorize the building of a railroad in order to accommodate this sort of traffic. The matter of communication among citizens in their business transactions becomes one of public importance. We want to communicate with our fellows at distant points by letter; this brings the transportation of mails into prominence, and the Government takes charge of it, authorizing an individual person to do the work for a certain stipulated remuneration, so that the people may fare alike in the matter.

If the reader will consider these things, and note how certain classes of work take on a public character, how they become necessary for the convenience and the comfort of the people at large, and also how many of them become absolute necessities, he will be able to draw the line between what is a public function and a private monopoly; and after having made that comparison he will be able to draw the line between the work of public agents and the personal work of individual citizens. Money is just as much a public necessity as railways, bridges, ferries, court-houses, school-houses, water works, street lighting, etc. We can not get along without the use of money and remain in our present social condition. The farther we advance the greater will be the need for money, because in our advancement we are constantly dividing our forces, multiplying our energies, and diversifying our employments. This may be illustrated in the work of the shoemaker, who not many years ago made the whole shoe; now, in the great factories, where shoes are made by the million, workers each make only one particular part of a shoe, and it appears that in a fine shoe there are upward of fifty different parts, one person working at one part, another person working at another part, and so on. The farmer himself, instead of preparing, curing, and preserving his meat for the next year, as he did once, sells his swine and his cattle and his sheep and his wool and his fruit, and purchases the manufactured product from those persons who prepare it. Look where we will, we find this same sort of change continually at work, so that instead of a few leading industries—as we had them once, and within the memory of many men and women now living—to-day we find a diffusion among the people, a division of labor; this makes transportation and money all the more necessary, and it shows to our minds the reason why the Government ought to treat money as it treats transportation, ferriage, milling, and the like. The public, all the people, every man, woman, and child, are interested in this matter of money. Among the first things that the child learns is the use of money, and among the necessities of the people nothing is so great at this hour as money. Ask every adult man and woman in the United States to-day what they most need, and in nine cases out of ten the answer would be money.

## CHAPTER XIV.

### A CHANGE NECESSARY IN OUR FINANCIAL LEGISLATION.

It is coming to be evident that there must be some change in our legislation concerning the use of money, and there need be no difficulty in determining just what the change ought to be. A proposition that will strike the mind of every person as just is this: That people who borrow money ought not to be charged for its use any more than the profits in their business well-managed will justify; or, in another form, the people ought not to be charged for the use of money any more than they can afford to pay. If owners of money can not or will not afford that, then the people must provide another way. Going a step further, we find that this whole subject is embraced within the scope of one fundamental principle, namely: That all agencies in which the people are alike interested are matters over which the people themselves should have exclusive control; that the functions in all such activities are public functions; that the people, through their regularly authorized means, should exercise those functions in the common interest. This includes money. The theory is, in law and in practice, that nothing more shall be charged in the performance of these *quasi*-public duties than is just and reasonable. The doctrine of the common law was and still is *quantum meruit*—what is the service worth? or, literally, how much worth? That is the rule. It is intended that in charges for railway transportation, ferriage, and the like, the service is worth a certain stated sum per ton, per pound, per mile, per passenger, etc., and that sum is named in the law, the presumption being that that sum is a reasonable compensation for the service performed. It is not intended that the carrier shall become wealthy by reason of charging the people more for his service than it is worth; nor is it intended that any private citizen, in a matter arising between him and his neighbor concerning the value of his services, shall be permitted to charge for his service more than it was really worth; and in determining that matter, like services in the same community and under similar conditions are considered. Let us remember, then, that the principle in all these cases is the same—namely, a reasonable compensation, and that the rule is to be determined by an estimate of what, all things considered, the services are really worth. Then, when the people themselves perform their own work by their own agents, as in the postal service, for example, there is no profit expected—just compensation enough to pay for the work. We are now paying two cents on sealed letters which do not weigh more than an ounce, one cent on unsealed matter, postal cards, and the like; and when the annual report is made it appears that not one dollar has been made by the Government over and above the necessary expenses of performing the work. Let the same principle apply in the matter of money. The people ought to have the use of all money they need at just what it costs to prepare the money for their use, and this determines the whole question.

As to whether money should be made of metal or of paper or of any other substance, that is another matter. If the people prefer to use gold and silver for money, let them do so; if they prefer to use paper or some other material, let them do so. The coining of money is the exercise of a sovereign power; it is one of the prerogatives of the people in their organized capacity. The only trouble in the way of using only gold and silver for money is that there is not anywhere near enough of those metals obtainable to supply the needs of the people, and they are too heavy for convenience. Some other material must be used. Other materials have been used for many centuries past. In the United States we have never at any time been without the use of other sorts of money besides gold and silver coin. We have had bank notes and treasury notes, and now we have gold and silver certificates, United States notes, national-bank notes, and we have the later treasury notes issued in payment for silver bullion; so in our own experience we have found it necessary to use other materials besides gold and silver, and for the reason that there is not enough of gold and silver to be obtained.

This subject was discussed in some of its phases by the writer hereof several years ago in the *Kansas Farmer* under the title "The Way Out." The articles were afterward collected and reprinted in pamphlet form under the same title. With a few slight modifications, and with such amendments and additions as changed conditions and newly discovered facts make necessary, some of the matter in the pages following is taken from "The Way Out."

### SUBSTITUTE FOR THE MONEY-CHANGER A DISINTERESTED AGENCY.

Money which is lent to citizens on interest is the individual property of its owners, and they charge what they please for its use, subject, of course, to legal limitations. It is owned mostly by wealthy persons or corporations whose income is derived from what they receive for the use of their money. A considerable portion comes from savings banks and insurance companies, but it is these corporations, and not the individual owners of the small sums separately deposited, which deal with the people and receive the larger share of the profits. The business is done by the agents and not by the principals. The active agency in the work is the person or company that negotiates the loans, deals with the borrowers, and collects the interest. Without the interposition of the bank, loan or insurance agency, acting for the poor people whose savings are thus made profitable to them, there would be no savings—at any rate, but little—and that attests the value of such institutions. The point made here, however, is not that, but this: That the pecuniary interest of these useful agencies is to maintain the interest business. In this respect all money-lending or money-investing agencies, whether corporate or individual, are precisely alike—all interested in receiving high prices for the use of the commodity in which they deal, just as farmers and mechanics are interested in maintaining high prices for the articles which they produce for sale.

The man who uses money only in the regular conduct of his business, who uses money only in effecting exchanges of property in which he deals, does not care anything about interest and discount, for he is not engaged in the business of lending money. He does not deal in money at all; he uses it only as one of the agencies necessarily employed in his business, just as he does a dray or a railway car. He pays cash for what he buys and receives cash for what he sells. He does a cash business; hence he has no concern about the money market further than to note how its fluctuations affect the market prices of articles in which he deals. Only the persons who live off the interest of money are benefited by high rates, and there are so many of them and their interests are so much alike and they own or control so large a proportion of the money used by borrowers, that there does not appear any reasonable or practicable way of changing this state of things so as to equalize profits and burdens among people who lend and those who borrow money, except to relieve the individual money lender of his present responsibility in that behalf and substitute a disinterested agency.

The public good is to be preferred before private benefits, and for that reason the merits of a projected reform may be measured by what, if successful, it would probably accomplish in the common interest without injuring the property or endangering the liberty of the citizen, or interfering with the reserved rights of the people. What is proposed here is to suggest such a change in our monetary and financial system as will make it practicable (1) for the people to have and use money not only on reasonable terms but on *equal* terms; (2) to avoid panics in the money market and prevent "corners" and other schemes to affect the value or volume of money in circulation; and (3) to reduce annual charges for the use of money on long time to 1 per cent, and 2 or 3 per cent on short time, without injury to present owners of money.

The proposed plan rests upon one fundamental principle, namely, *The proper function of money is to serve a public use.* In the beginning, money was not needed. It is the child of commerce. It became useful only as the expansion of trade made needful some convenient medium of exchange, and now it is as necessary in the transaction of ordinary business affairs as common highways are in the movement of persons and property. The citizen, when he lies down at night, should not have any more anxiety about a panic in the money market the next day, or a rise in interest rates through speculation of stock gamblers, than he has about the closing of the highway which lies at his door, or its obstruction by some ambitious neighbor who would traffic in travel, compelling his fellows to pay for privileges to which they are entitled of right. Every citizen is entitled to an outlet. He may not be shut out from the world by his neighbor's lands. On demand, the state will open a way for him. For stronger reasons, when the common convenience or public necessity requires a thoroughfare, no private interest is suffered to stand in the way of its opening. Individual ownership of land is set aside with no more ceremony than the lawful appropriation of it requires, and the citizen must be content with that. And when more speedy and direct communication between distant points is needed in the common interest, private lands are taken and set apart for public use, the way is opened, a railroad is built and kept in repair for the people's convenience. While a corporation is permitted to perform all the service and receive all the compensation, it is done as agent and trustee for the people. The work is determined by the Legislature, the charges are regulated by law, and, in case of failure to discharge its legal obligations, the people, through their regularly organized tribunals, take possession of the road and its equipments, and provide the needed service. These highways are kept open and maintained at the public expense; the people use them freely and on precisely equal terms. No person may obstruct them, every person may use them. But the traveler must "move on"; the highway must be kept open because it is for the people's use. The function of the highway is to accommodate the people in the matter of travel and transportation; it is a necessity of civilization, a public necessity, a common need of all the people, and for that reason it becomes the duty of the Government, which is the people's general agent, to see that the need is promptly supplied and permanently maintained.

What the highway is to transportation, money is to trade—a public necessity—and the Government is as much bound to supply one as the other, and upon precisely the same terms as to compensation. People use the roads without expense beyond the cost of opening and maintaining them, and it ought to cost them no more for the use of money they borrow. The people supply themselves with roads at the public expense, so should they supply themselves with money—the common medium of exchange—at the public expense, paying for its use only what it costs to supply it.

The proper function of money is incompatible with its use as a *commodity*—an article to be bought and sold in the public markets like wheat and corn. It should be made by the people for their use and upon the same principle that they make and use bridges, ferries, mills, and roads. One citizen should not be permitted to speculate on the necessities of another.

# CHAPTER XV.

## CONGRESS HAS AUTHORITY TO PROVIDE MONEY FOR THE PEOPLE.

THAT the Government should supply the people with money is not a new doctrine. Every civilized nation recognizes the exclusive jurisdiction of its ruling power over the matter of providing the money of the country. The Constitution of the United States specially empowers Congress "to coin money and regulate the value thereof," and the States are prohibited from exercising any such authority; they are not permitted to make anything but gold and silver coin a legal tender in the payment of debts. Our Government, from the beginning, made money for the people — everything that was used as money, except notes of State banks—and it has made all the money used by the people since 1862. Strange to say, however, it has never undertaken to "regulate the value thereof." It makes the money and then turns it over to individuals and corporations to trade in, the same as they do in wheat and pork. By the act of April 2, 1792, a mint was established and certain specified coins of gold and silver were provided for—an eagle containing so many grains of gold, to be of the "value of ten dollars"; a half-eagle, to be of the "value of five dollars"; a quarter-eagle, to be of the "value of two dollars and a half-dollar"; a dollar, to contain 371¼ grains of pure silver, with some alloy, this dollar to be the money unit, and of the "value of the Spanish milled dollar," with smaller coins down to a "half-disme." It will be noted that while the dollar was made the unit, and the value of a certain number of dollars was given to the gold coins, the value of the unit—the dollar—was to be that of a foreign coin, the Spanish milled dollar, which was then largely in circulation in this country, but there was no attempt to fix the value of that dollar. Had war or any other casualty banished the Spanish milled dollar or destroyed it, the standard of value for our own dollar would have been an unknown quantity, except as to the silver it contained. In fact, there have been no Spanish milled dollars in this country in many years past. Still we have the dollar of 371¼ grains of pure silver given us in the beginning; and there has never been any other "regulation" of its value than that written in the first coinage law. That, however, was no regulation of value beyond determining the quantity of silver in a dollar. To say that it should be of value equal with that of some other coin then in circulation, when that other coin had no value except what was understood to be expressed in the word "dollar," was only to assume that the word "dollar" had a recognized meaning in finance, and that, so far as the people of the United States are concerned, 371¼ grains of pure silver, with a small percentage in weight of serviceable alloy, and all made in certain form with certain marks upon it, should constitute a dollar, the "unit" of our money. It was made in that way and given to the people as money, with no other description of its value. It was not provided in the law that a dollar should have a certain, steady, and uniform purchasing power, that it should pay for a bushel of potatoes or a yard of cloth or a seat in the theatre; it was sent out carefully described in feature, and named "one dollar," with the understanding that it was worth as much as a

"Spanish milled dollar." All, then, that Congress ever undertook to do by way of regulating the value of this coin was to determine the exact quantity of silver which it should contain. The value of a dollar is "an ideal thing," the Supreme Court say.

## CHAPTER XVI.

### MONEY WHEN USED AS A COMMODITY IS A DANGEROUS THING.

How is the value of money (when used as a commodity) determined? Go to a merchant or trader who uses only his own money and does altogether a cash business. Ask him, "What is money worth?" and he will tell you he is not dealing in money. And not dealing in money, he does not know what money is worth. For the purposes of his business, using money only in effecting needed exchanges, he does not think about the value of his dollars any more than he does about the value of any other necessary agencies or instruments employed in the carrying on of his business.

Go into a bank or a loan agency and inquire, "What is money worth?" You will be answered in *percentage* and *time*—2 per cent for thirty days, 3 per cent for sixty days, 4 per cent for ninety days, 10 per cent for a year, 8 per cent per annum for two to five years, and so on. That is to say, money is worth whatever interest rate the state of the money market will justify. The value of money, then, is estimated by what can be obtained for its use, with the understanding always that the principal, or an equivalent amount, must be returned at the end of the term for which it was borrowed.

Money is no exception to the general rule for determining market values. Whatever can be obtained for an article in the market, that is its market value, and the demand depends largely on the amount and distribution of the supply. A short supply and an active demand enhances prices, not because any moral principle is involved, but simply because the seller can bank on the necessities of the buyer—he can make money out of a short market. The necessity of one is the advantage of another. And, as to commodities in general, there is no objection to this rule of trade. It is conceded on all sides that the rule is reasonable and that its operation tends to maintain commercial equilibrium. But how would it work as to things which the people have set apart for their common use and benefit? Some things may be classified—as the industries; one class of persons work on farms, another class in shops and factories, a third go to mining, a fourth engage in transportation, and thus all the workers are employed. There are some things, however, that are common to all the people, in which they are all alike interested, not in the same degree, but for the same reason. As to such matters it is better that the work be done by the people for themselves in their own way through some agency specially appointed and kept constantly under surveillance of public authority. All the people of a city are interested in water and light, and though in different degrees the nature of the case will not admit of discriminations. One person may need large quantities of water, another not nearly so much, but no account is taken of that in the determination to supply the city with water. It is much cheaper, more convenient, and better in every way that the city should supply the water and because the people are all alike interested. If people were limited in their correspondence to private mail carriers, the expense would be enormous, and the inconvenience intolerable. Carrying the mails rapidly, promptly, and safely is a public need, therefore the people see to it themselves for themselves; the Government does the work, and the poor and rich fare alike. One hundred stamps cost the purchaser one hundred times as much as one stamp of the same class costs its purchaser. The Government is now trying to equalize the cost of transportation of property over railroads and canals and on rivers, so that there shall be no unjust or unnecessary discrimination in favor of or against particular persons or places, and there is an almost universal demand for legislation prohibiting the free carriage of favored passengers. A Senate committee has just been investigating charges against meat packers that they are defrauding the public in a matter in which all the people are interested. Suits have been brought against corporations alleging that they had forfeited their franchises by engaging in enterprises not contemplated in nor compatible with their charters; and people of all parties denounce trusts and other combinations which unnecessarily and unjustly make living more costly. There is a clearer perception now than ever before of the need of the public management, at all events public *control*, of every matter which directly concerns all the people alike. And this comes logically to a free people where from the beginning the poor man enjoyed political and civil rights equal with the rich. Latterly the concentration of large interests have increased the number and the power of rich men, and the deft handling of money by its owners, with the dangerous development of stock and grain gambling, have impressed the masses of the people with the need of legislative interference in behalf of the many as against the few in this particular direction.

While all the people—this includes every individual person—are interested alike in the use of money, that portion of it which is used for lending on interest belongs to only a few persons, and that few control the money markets of the country, always interested in making money scarce and dear, so that the demand will be greater and therefore rates of interest higher. To call in one half the money of the country would not only increase interest rates 50 per cent, but it would force prices of commodities down 50 per cent. Owners of money would gain while owners of other kinds of property would lose. This principle has been demonstrated many times in our history, and never more plainly than within a few years last past. The possession of money is a power dangerous when exerted in the interest of individuals against that of the community, and it is neither safe nor just to let that power remain in individual hands. The law of self-defense is nature's law, and it is preserved in human codes. The citizen may be always armed in his own defense, but he should be shorn of every power which endangers the public interests. The money power is the most dangerous foe to republican liberty at this hour; it must be disabled. Fortunately this can be done justly and peaceably, injuring none, benefiting all. The remedy is to take money out of the list of commodities which may be bought and sold for gain, and limit its use to its proper function of serving the people in the conduct of their every-day affairs. Let the Government, not bankers and money lenders, control the money of the country.

# CHAPTER XVII.

## GOVERNMENT OUGHT TO SUPPLY MONEY TO THE PEOPLE ON JUST AND EQUAL TERMS.

THE people, through their Government, should not only supply themselves with money, but they should also provide for its use by the citizens on just and equal terms. And it ought not to be subject to taxation. Roads are useful, but they have no market value and are not taxed. School-houses and court-houses are not taxed, nor are post-offices or Government postal railway cars. What the Government supplies to the people and manages through its own officers is not taxed and ought not to be, because it belongs to the people—to all the people—for their common use. So it ought to be with money, except in cases where persons use it unlawfully, hoarding it or lending it on usury. It is the duty of the Government to fix the rate of charges for the use of money quite as much as to supply the money. This would do away with interest laws and relieve the public from anxiety about panics and corners in the money market, because Government and not individual persons would control the money circulation.

It is not proposed or expected that needy persons will draw money from a public fountain as they draw water by simply turning a faucet, nor that any Utopian scheme of supplying individual wants will be established. It is not intended or expected that any derangement of business affairs will occur by reason of the changes herein proposed.

Nor will there be repudiation of debts. The change will be easy and without friction in business circles. Banks and loan agencies will be as necessary under the new system as under the old; but charges for the use of money will be under control of the people themselves in their common interest. These charges will be fixed by law, will be the same in all parts of the country; every borrower will pay like charges on equal amounts of money for the same length of time.

It will be necessary, of course, for the Government to own money enough to operate the proposed plan, for money owned by the people can not be taken from them lawfully by the Government without compensation. If it were needful that more money should be obtained than the Government does now possess in its own right, with what it may readily and lawfully provide, it could be obtained by the issuance and sale of bonds to the amount needed. Fortunately there is no need to resort to any extraordinary proceedings in this direction. Ten hundred million dollars is ample to set the scheme in operation and obtain control of all the money in the country, so far as the matter of charge for use of borrowed money is concerned. The Government may unquestionably regulate charges for the use of money, just as it may regulate charges for carrying passengers and freight on railways, or for the transportation of mail matter or packages of merchandise. The authority to "regulate the value" of money covers the whole subject. Congress does now regulate the rate of interest to be charged by national banks. States may, if they desire, establish and maintain banks of issue, but they can not lawfully "make anything but gold and silver coin tender in payment of debts." States have all along had laws of their own on the subject of interest; so they have had laws regulating charges for transportation on ferries, canals, and railways; but such laws do not operate beyond the State lines. The interstate commerce law regulates commerce among the several States; every railroad, short or long, now operated in any of the States, is less or more subject to the provisions of that law, and it is altogether probable that within a few years the entire railroad business of the country will be regulated by the national law. The necessities of the situation will bring about that result. Just so with money and its use. The Government established a national currency nearly a hundred years ago, and added to it some $800,000,000 in the two years 1862 and 1863. Those troublous times brought about many new applications of old principles, and this is one of them—the providing of a national currency for the use of the people. The thought is well expressed by Hon. James N. Huston, Treasurer of the United States, in his report for 1889, at the beginning of page 12. He says:

> In becoming practically the sole issuer of currency the Government has assumed the duty of supplying the needs of the public for a circulating medium.

To propose, then, that the Government shall "supply the needs of the public for a circulating medium" is not a new thing. That responsibility has already been assumed. The only new feature proposed is that the "circulating medium" shall be supplied to the "public" at cost, and not, as now, largely through banks and loan agencies which charge six to ten times as much for the part they perform as the Government can afford to supply it for through its own agencies specially provided.

Nor is it proposed to interfere in any manner either directly or indirectly with any existing investment or contract. Obligations of contracts are sacred and must be respected. Congress may enact a bankrupt law—a way of escape from contract obligations by men who have failed in trade. Not one farmer in ten thousand ever thought of going through a bankrupt court, except in some cases where large farmers in the Southern States had been broken up by the civil war. A bankrupt law is intended to relieve crippled debtors who make a surrender of all the property they own. It is virtually expunging the debt record. The primary object of the scheme here proposed and the motive which induced a study of "The Way Out," is to assist overburdened farmers and other owners of homes to pay debts which they are utterly unable to pay at existing rates of interest, and to obtain for all borrowers, money at what it actually costs to provide it for them. Every debt is to be paid in full, and if, in the end, a few persons fail, the 1 per cent per annum charge for the use of money borrowed will make such losses good, so that all will be gainers and nobody loser, except only those who are now too far gone to be saved. Nor is it expected that any honest person will obtain money without labor, or without exchanging some kind of property or security for it. The scheme is altogether practicable and reasonable.

A great deal of money is used in lending which is not the property of the lenders. Banks, for example, use a large portion of their deposits in discounting notes and bills, and so far as that amount is concerned, it matters not to the banks whose property it is. A change of ownership of the money would work no hardships on the banks. What they enjoy is the *use* of the money, and the ownership is of no consequence to them. The owners—depositors—have no part in the lending; they deposit their surplus funds in bank for safe keeping, and by custom permit its use by the banks until it is called for. Receiving no share of the interest, it is not important to them what interest rates are. They use money in their business just as they do books, pens, weights and measures, wagons and carts. They are not dealing in money, and for that reason, so long as they are not compelled to borrow money they are not troubled about the money market. They do not care whether interest rates are high or low. They want money to use in their business, not to lend. It is the same with every other class of citizens, except only the lenders of their own money, as before suggested. Farmers, mechanics, laborers, clerks, professional persons—all classes, with the single exception—use money only in its functional application, *as a necessary instrument in trade.* When a farmer purchases a wagon or a plow, when a mechanic purchases a saw or an axe, when a laborer buys a coat or a hoe, when a clerk secures a table or a pen, when a professional man pays for his book case—in these and in all like cases money is used simply in paying for the particular articles, not according to the value of the money, but according to the value of the things purchased, and the question of interest does not arise in the transaction at all. But as to the man who uses his money as the livery-stable keeper does his horse—to let it out for hire—to him interest is the great matter. The value of houses would not be affected by a change in interest rates, because houses are not built of money, but of stone and clay and iron and wood and paper and glass. Labor, which imparts value to houses, is the basis of cost, and cost is the basis of rent. A house would be quite as serviceable with money at 1 per cent as it would be with money at 6 per cent. The same rule holds good applied to all classes of property except money, and only to such amount of money as is used by owners in lending for interest. The exception comes from the particular use of money. When used by owners simply in buying and selling property, it has no interest value whatever. It is only when used as capital invested for returns on *its* use that it becomes sensitive to changes in the money market. Money in its proper use has no value; it is the property which we buy or sell that has value; money is used only to effect the exchange. We say a horse is worth one hundred dollars, not a hundred dollars are worth a horse. The value is in the horse, not in the money.

The money which *owners* and only owners lend, that is the money and the only money which will be affected by the changes here suggested. Loan agents and bankers who act as specially authorized agents of owners to negotiate loans for them, are agents for that particular purpose, and are therefore herein classed with their principals —all acting as or with or for owners in investing the same money. And this money so used is not to be confounded with the money which bankers use in the regular course of banking business.

But by what means shall the needed amount of money be obtained by the Government? As before suggested, there are two ways in which the Government may obtain control of the use of property; one is to purchase it outright, the other to supply similar use through its own agencies. It is plainly evident to the sight of many minds even now that the present financial system will not long be permitted to continue. Owners of one fourth the money of the country control the money markets in their own interest, without respect to the interest of owners of the other three fourths, and the effect is seen in general resistance to the policy. Profits on the use of money are far in excess of profits on other kinds of property. Farmers especially are hopelessly embarrassed, and can not pay out unless interest rates are reduced, and because with the present range of prices for farm products there is no profit in agriculture.

Whenever any combination, or any interest, or any custom deprives the people generally of the enjoyment of conceded rights, or in any manner or to any extent injuriously interferes with the common rights of citizens, it becomes the duty of the Government to interfere. Congress has appointed committees to investigate charges of oppression and wrong preferred against men operating in lard, butter, oil, wheat, sugar, ~~beef,~~ and coal; like committees have been studying the labor question in its relation to organized capital, and frequently within the last two or three years it became necessary to remove intruders from the public lands. If farmers, who on the face of the papers own three fourths of the occupied land of the country, who pay more than half the taxes, and who number 45 per cent of the population, will suffer irreparable injury if the Government does not interfere in their behalf, is there any good reason why it should not do so? And if 40 per cent of the population living in cities, towns, and villages, are embarrassed to the same extent as farmers are, why should not they, too, be supplied with money to pay their debts, thus saving debtor and creditor alike without forcing one into bankruptcy and subjecting the other to loss? And if the persons who are responsible for these troubles refuse to enter willingly into the work demanded and needed, is that a sufficient reason why the Government should not exercise its unquestioned powers of sovereignty and supply money for the use of borrowers without consulting the wishes of these selfish and obstinate people? Congress is expressly empowered to "coin money and regulate the value thereof"; it is the only body which is so authorized, and it would have the authority without a grant, because coining money is the exercise of a sovereign power, and the people of the United States constitute a sovereign nation. The Supreme Court of the United States settled this question fifteen years ago. Congress may make money for the people; it is in duty bound to do so, and it is not limited to any particular article out of which to prepare the money. It may make paper money legal tender, and in any quantity.

The masses of the people now demand the assertion of the Government's right and duty in this matter. Profits on agriculture and labor have dwindled to the bare margin of living, and the use of money as a commodity for the profit of a comparatively few persons will not be tolerated much longer.

These facts and suggestions may assist money owners to a conclusion that whether the course proposed is better or worse, there is no room to question the Government's authority in the premises.

## CHAPTER XVIII.

### HOW MUCH MONEY IS NEEDED.

LET it be understood that farmers and their co-workers do not ask for relief in their own behalf only; they are not clannish. What we want is such change as will affect all classes advantageously alike. Nor are we repudiators; we want to pay all our debts according to both the letter and the spirit of the contract. We are loyal citizens of the republic. This country is good enough for us; we made it; the star-spangled banner is our flag. Nor would we work needed changes so suddenly as to endanger business affairs or imperil property rights. We would not take from one and give to another. We would deal justly with all. We would not pay our debts in 50-cent dollars, nor in 200-cent dollars, but in 100-cent dollars; as nearly as possible such as were current when the mortgage era began. We borrowed money when times were good and prices high, but our contracts were changed without our consent, the value of our property was lessened by law, our debts were increased at the instance of the lender, so that we are compelled to pay two dollars of money, two bushels of wheat, or two days' labor where we agreed to pay only one. It is not proposed to go further along financial lines than we have been in the past. It is not intended to embark in untried experiments or to explore unknown regions. Nor is it desired to risk bringing trouble upon the country by inaugurating new and visionary systems of finance. The only changes in this direction which we urge are: (1) More money for the use of the people; (2) that the Government, and not banks and money changers, issue the money; and (3) that interest rates be reduced to what the people can afford to pay, leaving margin to apply on the principal. We have not in any of our official declarations undertaken to elaborate methods or suggest details; that is left for further discussion. Edward Kellogg, nearly fifty years ago, suggested a plan based on the inter-convertible bond theory. The writer of this in 1889 presented a plan somewhat in detail based on a principle which, so far as he knows, was never before stated, namely, "The proper function of money is to serve a public use." The same plan more fully developed is presented here. Adam Smith, more than a hundred years ago, compared the circulation of gold and silver money to a public highway, and later authors have adopted his comparison; but none of them gave the basic principle which gives force to the comparison. They contented themselves with a simple statement of fact. In "The Way Out" the theory and the reason of it are given thus: "What the highway and its moving vehicles laden with produce do in the movement of commodities, money in circulation does in the exchange of values; as it is with the highway, so it is with the circulation of money—the function of each is to serve a public use."

If the functions of money be public functions, the people, as a body politic, ought to provide money enough for the use of the people, and regulate its use in such a way as to make it most serviceable and least expensive. It is on this theory and reason that the plan herein set forth is based. It is universally agreed among workers that the amount of circulating money needed by the people is such amount as is sufficient for our business if transacted on a cash basis. That necessarily is indefinite.

Whenever definiteness is attempted, the amount is put at $50 per capita. That is the amount named by the Ohio farmers at a State meeting in May, 1891. The same figures have been given frequently by other public bodies. This particular amount is agreed upon, probably, because when our great war ended and when business was prosperous, our money circulation was above that. On careful examination, however, it will be found that population alone is not a proper basis for estimating money volume. The amount of money needed in any community depends not on population, but on the amount of business done and the density of population—in other words, on the necessities of the people, not on their number. One community requires more money than another, though the number of its inhabitants may be less. If a rule must be found and applied, why should it not be the same as that adopted in the case of coffee, sugar, shoes, or axes? Let the people themselves determine the quantity they need. Who better than they know how much of anything they do need? Manufacturers and merchants do not base the extent of their business and the amount of goods which they handle upon the number of persons to be supplied, but upon the demands made by the people; and in order to ascertain what the demand is, or may be, they do not apply any standard of law, but they prepare the goods and take them to convenient places for the people to purchase; then they advertise in the local newspapers, showing what they have to dispose of, and the people go to the stores and the warehouses, examine such goods as they need, select that which suits them, pay for it, and take it home. Is there any good reason why the same plan in theory should not be adopted in the case of money as it is in postage stamps? Who knows better than the people themselves what is the amount of their indebtedness? Who knows better than they do how much money would be required to relieve them from want? Who knows better than they anything about what they need, and how much of it? In this case, then, suppose we adopt a rule somewhat like this: Ascertain the amount of pressing in-indebtedness now resting upon the people for which their homes are mortgaged as security, and which debts are due and subject to *immediate collection.* If it be ascertained that that particular class of indebtedness is $1,000,000,000, then that amount of money is needed at once to relieve the people. Besides paying the debts of this particular class of persons, the money would immediately go into circulation, and within thirty days afterward pay as many more debts, and within another thirty days as many more debts, and so on; so that by the time a year had passed the money would have paid off twelve times as much indebtedness as it did at first. Upon a plan something of that kind the people may be relieved of their debt burdens in the course of twelve or fifteen years by the practice of a very simple policy, one which has been practiced ever since money was invented. This thought will be further discussed as we proceed.

# CHAPTER XIX.

## THREE WAYS TO RAISE THE MONEY.

### NUMBER ONE.—BANK-NOTES, SILVER COIN WITHHELD, AND SURPLUS.

THERE is, however, a much simpler way of getting at a reasonable amount of circulating money if we will but run our eyes back over a few years of our history. Leaving out of view altogether the flush times immediately succeeding the war and the effect upon our business which the contraction policy had, let us begin at 1879, when what we called "resumption of specie payments" had taken place, and start there. The amount of money in circulation at that time, as the Treasury Department gave it, was $825,804,342, or $17 to the head of population. That amount, however, while it is published to the world as having been in circulation, was not all in circulation. A large proportion of it was in banks, and in the hands of citizens who had withdrawn their money and hoarded it because of the hard times. There was probably not more than half that much in actual circulation among the people, or available for circulation. Please note the action of the national banks and the Government. The banks, from January 1, 1879 to January 1, 1883, increased their circulation $38,091,117, a yearly average of $9,522,778. Under the operation of the Bland silver bill, approved February 28, 1878, the silver coinage was increased regularly, and from the two sources the annual increase of circulating money amounted to about $35,000,000 during the four years.

In addition to this, there was a considerable increase —an average of $35,000,000—in gold coin. And foreign trade was greatly in our favor. Altogether, we had during the period between January 1, 1879, and January 1, 1883, an expansion of circulating currency equal to about 75 per cent of what it was at the end of 1878. During that time the business of the country rapidly increased, not only in volume but in activity. The people generally were growing prosperous and contented, apparently to a large extent forgetting the hard times during the years following the crash of 1873. The national banking law was re-enacted in 1882, giving twenty years' additional life to that particular part of our financial system. The value of Government bonds rose rapidly in the market, and the banks, seeing that more money could be made out of customers' deposits which cost them nothing than out of their own bills based upon 90 per cent of bonds rapidly advancing to a high premium, began to withdraw their circulation, and have continued it steadily up to the present hour. The net decrease of bank-note circulation after 1883 down to and including 1890, is shown on page 42 of the report of the Comptroller of the Currency for 1890, as follows:

| | | |
|---|---|---|
| Year ending October 31, | 1884 | $24,170,676 |
| " " | 1885 | 15,545,461 |
| " " | 1886 | 56,593,533 |
| " " | 1887 | 50,495,589 |
| " " | 1888 | 16,848,739 |
| " " | 1889 | 22,159,043 |
| " " | 1890 | 5,248,549 |
| Total net decrease | | $191,061,590 |
| Average yearly decrease | | $27,294,512 |

Between January 1, 1882, and June 30, 1884, the decrease was $22,922,105. For the period between June 30, 1884, and October 31, 1884, the exact figures are not at hand. It is safe, however, to place the aggregate net decrease of bank circulation from July 1, 1882, to October 31, 1890, at $227,000,000.

The population of the country at the time this contraction began (July, 1882) was about 52,000,000, and the average per capita circulation at that time was put at $22.57. There had been an increase in the per capita circulation in four years (1879 to 1882) from $17 to $22.57, about 35 per cent, taking the figures of the Treasury Department as our guide. If, instead of contracting circulation after 1882, we had expanded it up to 1890 at the same rate that we had been doing from 1878 to 1882, we would now have for circulation at least 50 per cent more than we have. In addition to the bank-note contraction after 1882, the product of gold gradually fell off from year to year, the amount of silver coinage was not increased, the coinage law was repealed in 1890, and we are to-day not receiving as much increase in our silver note circulation by $12,000,000 annually as we might have received under the Bland law if the officers of the Treasury Department had executed the law to the full extent of their discretion. Instead of the $25,000,000 annually that were coined under the Bland law, the department might have coined twice as much, or $50,000,000. There was no reason why it should not be done, or why it was not done, except the opinion of officers of the Treasury that in some way or other giving to the people more money, and especially silver money, would interfere injuriously with the business interests of the country. While the people were asking for more money, and while their request was being increased in intensity from year to year, the banks were continually withdrawing their notes, and the Treasury

Department refused to coin a dollar beyond the lowest limit of the law. Taking the two together—the actual contraction of bank currency at the rate of $27,200,000 a year, and the loss of $25,000,000 yearly through refusal of Treasury officers to execute the coinage law to its highest limit—we have $52,200,000 ~~net~~ yearly loss of circulation.

We were entitled to the use of that much money; the law had provided for it. Let this matter be clearly understood. Under the provisions of the Bland law, approved February 28, 1878, the Secretary of the Treasury was required to purchase not less than $2,000,000 worth, and not more than $4,000,000 worth of silver bullion every month and coin it into standard dollars. He did not rise above the lower limit, coining only about $25,000,000 a year under the law, when he was authorized to coin twice that amount. In other words, he was authorized to give us every month $25,000,000 in silver coin more than he did give us. The total amount of money paid out of the Treasury for silver bullion under the Bland law, as appears from the Secretary's report for 1890, was $308,199,261. The average price per fine ounce was a fraction over $1.05. The time was 148 months, and the Secretary was required to purchase not less than $2,000,000 worth, nor more than $4,000,000 worth of bullion per month. He had authority, under the law, to purchase $596,000,000 during the 148 months of the law's operation, but he stopped at $308,199,261, just .51½ per cent—a trifle over one half of the amount which the law authorized him to purchase and which the people were entitled to and which they actually needed. Adding $25,000.000 (an amount of silver to which the people were entitled, but of which they were deprived) to the amount of bank-note contraction, we have, in the two items a total yearly loss of circulation amounting to $52,200,000—money which the people ought to have had the use of every year, but of which they were wrongfully deprived by bankers and Treasury officials. Multiply that sum by the number of years past since 1882, and we have the total amount of loss in those eight years—$417,600,000.

But this is not all. It does not include the years 1878 to 1882—four years during which the banks expanded their circulation, but the Treasury gave us only half the amount of silver dollars to which we were entitled. Four years of average loss of $25,000,000 on silver coinage gives us a total of $100,000,000. And this is not all that the people were entitled to under the law but did not get. From 1878 to 1882 the banks increased their circulation at the yearly rate of $9,500,000. If that was a reasonable increase during those years, it would not have been an unreasonable increase during the years which have passed since that time when our population and business were greater. Instead of a contraction we were entitled to a regular increase during all the years, because our population and our business increased. We were entitled to an increase after 1882, as well as before that year, and we were entitled to a greater increase, while we got none. Taking the yearly increase from 1878 to 1882 as reasonable, if it had been continued down to and including 1890, we would now have $76,000,000 in circulation from that source. Collecting these different items, we have—

| | |
|---|---|
| Contraction of bank circulation | $227,000,000 |
| Loss of silver coinage | 300,000,000 |
| Loss of increase in bank-note circulation | 76,000,000 |
| Total loss | $603,000,000 |

That amount—$603,000,000—represents what national bankers and Government officials have wrongfully taken away or kept away from the people. The banks not only did not increase their note circulation to accommodate the increasing business needs of the country, but actually took away from the channels of trade $227,000,000 in eight years, though the number of national banks was increased 1,272. And at this hour the bank capital employed would carry a circulation of nearly $600,000,000, while the actual net bank circulation is only $125,000,000. The Comptroller of the Currency, in his report for 1890, at page 40, says: "If an amount of bonds equal to the total capital were deposited to secure circulation, the whole body of banks might have a circulation amounting to $585,402,512, or $494,279,658 more than the present minimum."

And the Treasury might have given us $600,000,000 in silver when it gave us only $300,000,000. The law, which had been passed over a presidential veto, provided for twice as many silver dollars as were actually coined, and eight years passed before any sincere effort was made to put either the coins or their certificates into circulation.

This is a very simple matter, easily understood, and it is to be hoped that the reader will see it clearly and fix it firmly in his mind. Now let us add the amount of money which is lying idle in the Treasury to-day. In the Treasury statement issued April 30, 1891, the following items appear among others:

| | |
|---|---|
| United States note redemption reserve......... | $100,000,000 |
| Fractional silver coin.......................... | 20,568,405 |
| Trade-dollar bullion.......................... | 5,011,137 |
| Deposits in national banks.................... | 29,549,449 |
| Net balance in Treasury...................... | 12,096,707 |
| | $167,225,698 |

These five items alone give us a total of $167,225,698 —money in the Treasury belonging, without question, to the people, and may be used whenever the Secretary is so disposed. In a recently published interview Mr. Leach, Director of the Mint, stated that the amount of available funds in the Treasury was about $250,000,000. The statement was published in the Washington *Post* about the 26th of April, 1891. The *Post* reporter called the attention of Secretary Foster to the statement of Mr. Leach, and the Secretary replied: "I guess he is about right in the main." (See Washington *Post*, April 29, 1891.) Let us take the amount stated by the Secretary to be correct—$250,000,000—then add what the country lost and was deprived of as above—$603,000,000—and we have $853,000,000, which is quite sufficient to inaugurate the plan proposed in this book—a plan which will result in lifting the people's indebtedness, relieving their homes from incumbrances, and restoring the lands of this country to the people in their own right. So grand a consummation ought to be welcome to every patriot.

It is not proposed in this scheme to add one dollar to the currency more than we are entitled to under laws in existence a dozen years ago, not one dollar more than Congress believed, at the time the enactments were made, that the business of the people demanded and would demand as the years should come. It probably will occur to the mind of every reader that if the conditions we had in 1882 had been continued to the present the country would be as prosperous to-day as it was then; that if the banks had continued to increase their circulation as they had been doing in the years from the alleged resumption of specie payments to the middle of the year 1882, and the Treasury officers had performed their whole duty under the law, this political revolution would have been avoided.

Assuming that if one fifth of the mortgaged debtors are relieved at once and provision made for reducing interest rates to the rest, the whole body will be safely in process of permanent relief, we have the problem solved. The funds already provided herein are enough to start with. Let us recapitulate:

| | |
|---|---|
| Money now in Treasury | $250,000,000 |
| Replace national-bank circulation withdrawn since 1882 | 227,000,000 |
| Increase of bank circulation since 1882 at rate of increase between 1878 and 1882 | 76,000,000 |
| Difference between amount of silver dollars actually coined and the amount authorized by law since February 28, 1878 | 300,000,000 |
| Total | $853,000,000 |

Let $600,000,000 in paper money be issued by the Treasury Department to fill the want created by the processes hereinbefore set forth, and that, with the $250,000,000 in the Treasury, will give us $850,000,000—an ample fund with which to begin the needed work of relief.

It may be objected that the $100,000,000 in gold lying in the Treasury is needed there to redeem the greenback currency out—$346,000,000. In answer it may be stated that by the act of February 4, 1868, the *reduction* of "currency" (meaning greenbacks) was prohibited; and by the act of May 31, 1878, the *retirement* of greenbacks was prohibited, so that a redemption fund is no longer needed, if it ever was. The two acts mentioned are as follows:

An Act to suspend further reduction of the currency.—(February 4, 1868.)

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That from and after the passage of this act, the authority of the Secretary of the Treasury to make any reduction of the currency, by retiring or canceling United States notes, shall be, and is hereby, suspended; but nothing herein contained shall prevent the cancellation and destruction of mutilated United States notes, and the replacing of the same with notes of the same character and amount.

An Act to forbid the further retirement of United States legal-tender notes.—(May 31, 1878.)

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That from and after the passage of this act it shall not be lawful for the Secretary of the Treasury or other officer under him to cancel or retire any more of the United States legal-tender notes. And when any of said notes may be redeemed or be received into the Treasury under any law from any source whatever and shall belong to the United States, they shall not be retired, canceled, or destroyed, but they shall be reissued and paid out again and kept in circulation; provided, that nothing herein shall prohibit the cancellation and destruction of mutilated notes and the issue of other notes of like denomination in their stead, as now provided by law.

### NUMBER TWO.—THE BANKERS' RULE APPLIED.

But we can get along without using the $100,000,000 redemption fund, and still be within safe rules according to established theories of banking. The rule of bankers has been to float about $4 of paper on $1 of specie. The Government has adopted the same theory. Secretary John Sherman regarded $100,000,000 of gold coin enough to float all our United States notes (greenbacks), amounting to $346,000,000—that is, $1 in specie to float $3.50 in paper. Let us apply the same rule to the matter now under discussion. By reference to pages 110 and 112 of the Finance Report of the Secretary of the Treasury for 1890, it will be seen that the following amounts of silver coin and bullion were held in the Treasury on the 30th of June, 1890:

| | |
|---|---|
| Standard dollars | $313,259,910 |
| Subsidiary silver coin | 22,805,225 |
| Silver bullion, including trade dollars | 10,649,449 |
| Total | $346,714,584 |

If we apply the $3.50 rule, $346,714,584 in specie will float $1,213,501,014 in paper. Deduct the amount of silver certificates now out ($308,206,177), and we have left $905,394,840—representing the amount which our silver now in the Treasury would carry, *more than is now out*, and this according to the $3.50 rule now adopted as to the greenbacks.

Thus we can put out all of the $850,000,000 proposed in this book, base it on the silver coin and bullion now on hand, and have some room to play on, without touching a dollar of the gold reserved for redemption of the greenbacks.

And further, if we apply the bankers' rule to the $157,562,979 gold reserve for gold certificates out, that would give us $393,907,447 additional.

But we do not stop here. Farmers demand free and unlimited coinage of silver, and that would give us at least $50,000,000 in specie every year in addition to what we now have, and as fast as we need more paper we can issue $3.50 of it on $1 of the silver. That would give us plenty of money and still not take us beyond the rule.

The author hereof is inclined to believe that it would improve our monetary policy to purchase all the gold and silver bullion offered and pay for it in treasury notes, then issue two more paper dollars on every dollar's worth of bullion of both metals, thus giving us $3 in paper for every $1 in bullion—gold and silver alike. That would give us an abundant currency as well as a safe one—safe, if safety consists in a metallic basis.

It will thus be seen that we can raise money enough for present pressing needs by adopting either one of two plans, both of which are within laws and customs long in force. First (*a*) restore to circulation an amount of money equal to what was withdrawn by the banks (issue treasury notes for this—they are quite as safe as bonds, which secured the bank notes); (*b*) put into circulation an amount equal to what would have been a reasonable increase of national-bank circulation—a yearly average equal to what the banks gave us from 1879 to 1882; (*c*) put into circulation treasury notes equal to the amount of silver which was withheld from us by the Treasury Department under the Bland law; (*d*) put into circulation the public money now in the Treasury. Second, apply the bankers' rule to the silver and gold now in the Treasury—not referring to the greenback redemption fund.

### NUMBER THREE.—LEGAL-TENDER TREASURY NOTES.

Another and a simpler way of raising money is to issue full legal-tender paper money (treasury notes) to whatever amount is required to transact the people's business on a cash basis—so much of their business as cash is needed for.

# CHAPTER XX.

## DISTRIBUTION OF THE MONEY.

### SHORT-TIME LOANS.

THERE are four ways of distributing money to the people by the Government: First, in payment of services rendered; second, in payment for property taken or purchased; third, in payment of debts; fourth, by lending. Our Government has practiced all these modes, lending, however, only through banks which charge a commission in the way of interest. When greenbacks were issued they were paid out directly to the people—right into their own hands by Government agents, and without charge; but when national-bank notes were printed they went directly to the banks, and were issued to the people from the bank counters with interest charges.

Then there are two classes of borrowers and two classes of security. One person wants money for a few days only or for a few months at most, and he offers personal security; while another person wants money for a long time—one year to ten years—and he offers real-estate security. To accommodate these two classes of borrowers, with their varying means of security, it has been found most convenient to have two sorts of loan houses—banks for short-time loans, and loan agencies for the long-time loans. In this proposed scheme that long-established usage is respected. The labor and risk of lending money are greater in short loans on personal security than on long-time loans on real-estate security, and for that reason the charges may properly be correspondingly higher.

From and after the taking effect of this plan interest laws shall be of no effect as to new contracts, except as herein provided. Money shall be non-taxable for any purpose (except in cases where persons use it unlawfully, by hoarding it or in any other way withdrawing it unnecessarily from circulation), the object hereof being to keep money for the people's use, not for speculation. Charges for the use of money shall be made only to pay the cost of its distribution. Notes for money shall not be taxed.

Let us consider the short-time lending first. Make national banks Government agencies for this purpose, and amend the banking law so as to let lawful money of the country—gold and silver coin, treasury notes, coin and bullion certificates, and gold and silver bullion—take the place of bonds now required as security for circulation, authorizing banks of small capital for small places—circulation as low as $20,000. Let the amount of circulation equal the amount of deposits to secure it, and let the notes be Government notes, not bank notes. The 1-per-cent tax on circulation to be abolished. Banks may proceed as now, except that in lending money or in discounting notes the cost to the borrower or seller shall not exceed the rate of 1/4 of 1 per cent of the sum borrowed for one month or thirty days, 5/12 of 1 per cent for two months or sixty days, 1/2 of 1 per cent for three months or ninety days, and no such transaction shall cover a longer period than three months.

By using lawful money instead of bonds as deposits to secure bill holders, the power of the banks to affect the volume of money in circulation will be destroyed, because, when they wish to retire notes, their deposit is issued as fast as the notes come in; thus the same amount is kept out regularly after the bank receives its circulating notes. It is believed that, by relieving all money and all notes for money from taxation, the rates herein will be high enough for the banker and low enough for the borrower—equal to a rate of 2 per cent to 3 per cent a year, and very little lost in taxes.

While the national banks are not lawfully authorized to manage the financial affairs of the Government, they do, in fact, control the fiscal policy of the United States as fully as the Bank of England does that of Great Britain. It is because of this growing supremacy of the national banking interest, that many of us are in favor of abolishing them. The opposition is not because we are opposed to banking—for we are not—but because the banks are permitted to exercise a dangerous power. Established to aid the people, they are so conducting their business as to work injury to public interests. They have wrongfully withdrawn $227,000,000 from circulation in eight years, while they have increased the number of banks during the same period at the rate of 159 a year. While more banks are established, presumably to accommodate public interests, the volume of circulating money is diminished, reducing value of other property, increasing the value of money, and adding largely to the burden of every debt. We (the working masses) do not object to banking; but we do object to banks issuing money. We want the people themselves to do that through agencies of their own appointment. The plan herein proposed would retain banks, but as Government agencies, under Government control, managed according to rules prescribed in the law. It is proposed that banks be continued, that their business methods remain about as they are now, with exceptions noted.

This plan would work three good results: (1.) Get money to persons needing it at rates they could afford to pay, and the rates would be equal alike to all for the same amount and time; (2.) Put to good use all the money now idle in banks; (3.) Reduce the number of banks without impairing their usefulness. One bank, well managed, could take the place of ten now doing business, and the people would get the benefit of resulting cheapness of money. One president to pay instead of ten, and so of all other salaried officers.

If it be objected that the rates of charge here suggested are too low for the work to be done, let the reader study lessons found on pages 14 to 22 of the report of the Comptroller of the Currency for the year 1890, where it is shown that the domestic exchange business of American banks of all classes—national and State—for the last preceding fiscal year amounted to about $18,000,000,000, and that the average rate of exchange was 8½ cents on the $100, or about ¾ of 1 per cent. If men can do business through the mails with substitutes for money for ¾ of 1 per cent on the amount involved, they ought to be able to get along with 3 per cent for handling money and taking care of the papers and books needed.

## THE SUB-TREASURY PLAN.

The "sub-treasury" idea is based upon a perfectly sound and tenable proposition—that useful property is worth something, and that it is good security for the payment of debts. We do now store grain, cotton, and many other articles—natural and manufactured—in private warehouses, and borrow money on the warehouse receipts. It would be much simpler and safer and cheaper to do the same thing through Government agencies. It is the principle of insurance applied under another name. Every distillery uses a bonded warehouse, and the Government assists in taking care of the liquors while they are in bond and until the internal-revenue tax is paid—a period limited to three years. A bonded-warehouse receipt for whisky is regarded by bankers as good collateral in the borrowing and lending of money on short time. The government, both State and national, stands ready to enforce any and all contracts among individuals in which warehouse receipts are pledged as security. The courts are always open for this sort of work. A plan which is universally adopted among individual citizens and enforced by Government, would surely be no worse or less practical if the people should change the plan from private hands to their own and make of it a Government agency for the public good. Cotton and whisky are quite as good security for short-time loans as land is for long-time loans, and they are quite as good as government bonds, for the same purpose. On the face of a national-bank note these words are printed: "This note is secured by bonds of the United States deposited with the U. S. Treasurer at Washington." What better is that indorsement than this—"This note is secured by wheat deposited in the Government warehouse at Washington?" A general law enacted by Congress would provide all details of procedure and management. On every silver certificate these words are printed: "This certifies that there has been deposited in the Treasury of the United States one silver dollar payable to bearer on demand." In what respect is that better than this— "This certifies that there has been deposited in the public warehouse at Topeka, Kansas, 100 bushels of No. 2 red wheat, payable to bearer any time before the first day of January, 1892"? The object of the indorsement is to satisfy the holder of the note, bill, or certificate that it is genuine and that it is secured according to law. Satisfied on that point, he uses the money without question, feeling sure that wheat or cotton or cloth in the hands of Government officers is as secure and as valuable as it would be in his own hands. The sub-treasury plan would afford opportunities to farmers, mechanics, and merchants—all property holders alike—to use their own produce as security for the use of money at no greater expense than the mere cost of doing the work. Salaries of unnecessary persons would not be charged up against borrowers; the fortunes of private bankers, money lenders, and pawnbrokers would not have to be contributed by persons in need of money and having good security to offer. Briefly, the sub-treasury plan would afford to farmers and all other persons who have useful property which will not deteriorate by a few months' storage opportunities to help themselves by a prudent use of their own property, thus avoiding the wholesale spoliation which seems to be necessary every year under present conditions. A Government warehouse for wheat and cotton and corn and tobacco is quite as appropriate, quite as necessary, and quite as lawful as if it be used for the storage of whisky, silver, or bonds. Tobacco was once used in Virginia as a basis for circulating money, and the experiment was altogether satisfactory. Any article which may be safely kept a long time, or which may be readily and cheaply renewed or replaced periodically, may be used as a basis for money. And it is quite as lawful, quite as constitutional, to use cotton or corn as a basis for money as it is to use silver or gold for the same purpose. Cotton is useful for clothing, wheat is useful for food; gold and silver are useful for neither. Men and women, by their own labor, can produce both cotton and wheat; but gold and silver lie in the mountains. A public place where we could all store imperishable personal property would help us in many trying times and would save to us the vast wastage now drawn from us by an army of middlemen, whose recruiting stations are found in the offices of bankers, loan agents, brokers, and money changers.

Or, in cases where depositors do not care to take out money on their deposits, they may take only warehouse receipts. In close times these receipts could be used as collateral to borrow money on, and they would pass by indorsement from hand to hand the same as promissory notes now do. Associations may combine and borrow money to bridge over a period of low prices, or to carry a weak member through a crisis. Counties and townships building public warehouses under State laws may afford their citizens means of borrowing money on certificates of deposit showing kind of property deposited, with grade and value. Grain, cotton, and manufactured articles generally, may thus be used, under proper restrictions, to assist the producing classes in helping themselves. Indeed, there is no good reason why such certificates should not be received in payment of taxes and other local public dues. These warehouses may be built by the General Government, by the State government, by counties, cities, townships, by associations of the people, or by railway companies; they should be built close to railroad tracks, and they ought to be a part of the railway system, so that it would be the business of the railroad people to watch the markets and ship promptly when conditions are favorable. Transportation is a large part of agriculture and manufacturing, and for that reason farms and railways and factories and shops are parts of one great system of production.

### LONG-TIME LOANS.

Let there be created in the Treasury Department at Washington a Loan Bureau, to be under the supervision and general direction of the Comptroller of the Currency. Let the Loan Bureau consist of a board of three commissioners and their assistants, appointed the same as other officers in the department, to be of different political parties, and to be paid a salary each of $4,500 a year. One of the commissioners ought to be a lawyer of recognized ability, one acquainted with the business of banking and of real-estate investments, the third familiar with agricultural pursuits from practical training in farm life. Let one be appointed for two years, one for four years, one for six years; their successors to hold six years, the regular term. The Loan Bureau shall establish loan agencies in the several States and Territories wherever they shall be needed—one at the State capital to be known as the Central Loan Agency for that State, and local agencies at such convenient places as will best serve the public interests. In the Territories there shall not be any central agency; the business of the local agencies shall be transacted with the office of the Comptroller of the Currency, or with the Central Agency in an adjoining State, in his discretion.

The Central Agency shall be in charge of a superintendent, appointed by the Secretary of the Treasury; he shall employ such clerical assistance as may be needed, and he shall have charge of such funds as may be intrusted to him by order of the Secretary of the Treasury on request of the Comptroller of the Currency, and he shall pay out the same on orders from superintendents of local agencies. He shall report specially once a month, and generally once a year, to the Board of Loan Commissioners, upon the business and condition of all the agencies within his State. He shall have general supervision over the local agencies to the extent of having access to all their offices, books, and papers, and advising the local superintendents in all cases of need or of difference. The salary of the superintendent of the Central Agency shall be $4,000 a year, and his term of office six years, subject to removal for cause. He shall enter into bond in the sum of $150,000, conditioned for the faithful performance of his duties and the safe keeping and handling of all public moneys intrusted to his care. He shall appoint to assist him a deputy superintendent—a practicing lawyer, who shall have charge of all legal business arising out of the administration of this law in the State, and advise officers connected with the agencies touching their duties in all matters where questions of law are raised, subject to revision by the Board of Loan Commissioners. He shall prepare rules and regulations, with necessary blank forms, for the safe dispatch of business at the several agencies; and he shall revise the same whenever changes or additions are needed. His term of office shall be seven years, and his salary $3,000 a year.

The local agencies shall be in charge of assistant superintendents, appointed by the superintendent of the Central Agency; they shall appoint such assistants as are necessary for the transaction of the business of the office, and fix their wages, subject to the approval of the superintendent. They shall have no other general or special business. They shall report monthly to the superintendent of the Central Agency, showing the state of their business, and shall make to him an annual report covering all the business of the year in detail. Their salary shall be $3,500 a year, and their term of office five years, subject to dismissal at any time for cause. They shall give bond each in the sum of $25,000, conditioned for the faithful performance of their duties. Salaries of assistants in all the agencies shall be determined with reference to wages paid for similar work in private lines of business in the particular State or locality.

The business of these agencies shall be to lend money to the people on real-estate security, in manner, as nearly as practicable, like such business is now conducted by responsible real-estate and loan agencies. Applications will be made on blanks prepared by the deputy superintendent, showing the location, description, lay, and quality of the particular parcel of land offered as a security, with the appraisement under oath of three disinterested freeholders of the neighborhood who have personal knowledge of the premises, showing the actual value of the land, with and without improvements, estimated as other lands in that locality are valued, and its assessed value for taxation, together with the report of a local examiner. The application shall be accompanied by a complete abstract of title, and if it appears satisfactorily to the assistant superintendent that the security offered is sufficient, under the rules established, for the amount of money asked for, the application shall be granted; and after due execution of note or notes, as may be desired by the applicant, with first mortgage on the land, an order shall be drawn by the assistant superintendent on the Central Agency for the amount of the loan. The time for which money may be lent as above shall not be less than one year nor longer than eleven years; at least 9 per cent of the principal shall be paid every year until the last year of the loan, when the remainder shall be paid. Charges for the use of money so loaned shall be a sum equal to 1 per cent per annum on the amount, and these must be paid annually. In case of failure to pay any interest installment when it is due, it shall thereafter bear interest at the rate of 1 per cent per annum. No other charges of any character shall be made. Nine per cent of the principal, with 1 per cent charges (interest), equals a yearly payment of 10 per cent on the amount borrowed. The applicant pays all preliminary expense. The mortgage shall be forthwith recorded in the proper office. Notes and recorded mortgages shall be filed and securely kept by the assistant superintendent. The same rules, as far as applicable, to apply to town or city property offered as security.

The number and location of the loan agencies can be determined only after a careful study of the necessities of the people, the States where most money is required, and the amount and nature of the work to be done. The superintendent of a central agency would know, in a general way, what his State needed in this respect; he would appoint only such men for assistants as could be relied upon for first-class work—business men, not politicians—and together they would in a very short time decide how best to cover the field. And whether it would be better to have the number of agencies and their location to correspond with congressional districts—at present 356, with an average force of 10 persons each, or 3,560 for all, adding, say, 440 for the new States and the Territories, giving an aggregate of 4,000 for the entire country—or whether it would be better to distribute the number so as to have one agency to two or three counties, thus getting nearer to the people, would be a matter of detail for the Loan Bureau. In either case the aggregate number of persons to be employed ought not to exceed 4,000. Allowing an average salary of $1,000, the total yearly expense on that account would be $4,000,000. Office rent, fuel, stationery, and other incidentals, including special work of examiners and experts, would not exceed $500,000, making the total expense of the bureau one year $4,500,000, which is 1 per cent on $450,000,000, and such a force could easily handle $850,000,000 in one year.

The estimate is based on what is actually being done by private loan agencies now. It appears from a statement recently published by the Kansas Loan and Trust Company, of Topeka, one of the most reliable institutions of the kind in the West, managed by able, clear-headed business men, that the average yearly business done by the company during the last six years amounted to $2,000,000 in round numbers. It appears from directories and cards published by the company that its office force, including the active officers, averages about eighteen persons. What wages are paid employés and what the officers, the writer does not pretend to know; but the Government pays an average of $1,000 a year to persons engaged in somewhat similar work at Washington. Beginning with $5,000 to the Comptroller of the Currency, and descending down through salaries of $2,800, $2,200, $1,800, $1,600, $1,400, $1,200, $1,000, $900, $840, $720 to $660, the report of that officer for the year 1887 shows that the average yearly salary paid to 92 persons, including himself, employed in the work of his office, was $1,061. Besides, a private loan agency has to do a great deal of work that the Government would not have to do, soliciting business, advertising, etc., and this must be paid for. One per cent per annum (payable annually) of the money handled in a large business will pay all expenses and losses of the business when the loans are made on real-estate security and on long time. But it will not require the services of so large a force more than one year to carry out the details of this scheme; for most of the very needy cases would be disposed of the first year, and after that one fifth of the number of persons could easily handle the business.

The Census Bureau reports 9,000,000 real-estate mortgages recorded in the United States during the ten years from 1880 to 1890; and, judging by the reports thus far published, we may estimate that about one third of them were in force unsatisfied on the first day of January, 1890. It appears that about two thirds of the mortgages are on farms, the other one third on town and city lots. The average life of the mortgage is about five years. The debts are not all due *now*; the mortgaged homes are not all in *immediate* danger; some—one half or more, perhaps—can stand the strain a year or two longer; and whenever the Government begins the work of assistance creditors will be patient, feeling certain that in due time they will be paid. In order, then, that proceedings be orderly, the people justly dealt with, and the intent of the plan fairly carried into effect, during the first two years after the work is begun no application for the use of money shall be entertained at any of the loan agencies except such as are intended to relieve the applicants from pressure of existing indebtedness, for the payment of which homesteads, or lands occupied as homes, are mortgaged; and in every case it must appear that the debt is due and proceedings in foreclosure are imminent, the intent hereof being to assist only those who are in need, and *first* those whose needs are most pressing. After the expiration of two years from the date of the first loan applications will be considered at every agency as they are filed; but in no case will the Government lend money on real-estate secutity except to relieve the homestead from debt or to procure a homestead; no loan will be made on a tract larger than 160 acres, nor to any person for another's use, nor for an amount exceeding $2,500 in one transaction.

According to the plan above outlined—repayment of 10 per cent annually, 9 per cent to apply on principal and 1 per cent as charges or interest—beginning with $850,000,000, that much indebtedness is relieved at once, and at the end of the first year we will have a return of 10 per cent, or $85,000,000, of which $8,500,000 is interest and $76,500,000 is principal, to be reloaned as fast as applied for, and 10 per cent of it ($7,650,000) will be returned at the end of the year, $765,000 as interest, $6,885,000 as principal to be reloaned, and so on. The amount to be reloaned every year after the first year will be larger than that of the last preceding year until the whole amount of the original principal ($850,000,000) is returned; because, as fast as payments are made, the amount, less interest, will be immediately reloaned.

As applied to a particular case, the plan may be explained thus: Say Mr. A is indebted $1,000 at 10 per cent annual interest, and his home is mortgaged to secure payment. As things now are he can pay no more than the interest as it falls due—that is, $100 a year. At the end of eleven years (supposing present conditions to continue) he would have paid eleven times $100, or $1,100, a sum equal to the amount of his debt and $100 more, but the debt would not be paid—not a dollar of it; he would still owe the original $1,000. Now, follow the plan proposed in "The Way Out": Mr. A borrows $1,000 from the Government at 1 *per cent* annual charge, promising to pay 9 per cent of the principal every year for ten years, and the balance at the end of the eleventh year. That would be just $100 a year ($10 interest, $90 principal). This amount ($100) is all *interest* under the old 10-per-cent system; but 90 per cent of it is *principal* under the system proposed. At the end of ten years under the new rule $941.60 of the principal would be paid, leaving only $58.40, with the interest, to be paid at the end of the eleventh year, when the debt would be all paid, and the aggregate amount of all the eleven yearly payments, principal and interest, would be less than the *interest only* by the old rule.

In practice, the details would work out this way:

| | Present System. Debt $1,000; interest 10 per cent. | | | | Proposed System. Debt $1,000; interest 1 per cent. | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount paid. | Interest. | Principal. | Amount still due. | Amount paid. | Interest. | Principal. | Amount still due. |
| First year | $100 | $100 | 0 | $1,000 | $100 00 | $10 00 | $90 00 | $910 00 |
| Second year | 100 | 100 | 0 | 1,000 | 100 00 | 9 10 | 90 90 | 819 10 |
| Third year | 100 | 100 | 0 | 1,000 | 100 00 | 8 19 | 91 81 | 727 29 |
| Fourth year | 100 | 100 | 0 | 1,000 | 100 00 | 7 27 | 92 73 | 634 56 |
| Fifth year | 100 | 100 | 0 | 1,000 | 100 00 | 6 35 | 93 65 | 540 91 |
| Sixth year | 100 | 100 | 0 | 1,000 | 100 00 | 5 41 | 94 59 | 446 32 |
| Seventh year | 100 | 100 | 0 | 1,000 | 100 00 | 4 46 | 95 54 | 350 78 |
| Eighth year | 100 | 100 | 0 | 1,000 | 100 00 | 3 51 | 96 49 | 254 29 |
| Ninth year | 100 | 100 | 0 | 1,000 | 100 00 | 2 54 | 97 46 | 157 83 |
| Tenth year | 100 | 100 | 0 | 1,000 | 100 00 | 1 57 | 98.43 | 58 40 |
| Eleventh year | 100 | 100 | 0 | 1,000 | 58 98 | 58 | 58 40 | 00 |
| Total amount paid | 1,100 | 1,100 | 0 | ........ | 1,058 98 | 58 98 | 1,000 00 | ........ |
| Total amount still due | ...... | ...... | ... | 1,000 | ........ | ........ | ........ | 00 |

Showing that the same amount of money which, under the old system, was used to pay *interest only*, will, under the plan here proposed, pay the entire debt—principal and interest—in eleven years.

Borrowing on long-time and on real-estate security may be subdivided into (1) persons residing in towns and cities, offering town or city lots as security, and (2) farmers and other persons whose interests lie in the country and who borrow money, not to pay pressing debts, but for other purposes, as improving or stocking farms, paying balance of purchase money, or entering Government land, etc. These last-named classes—city and country borrowers—have not yet been provided for, and it is proposed to make provisions for them in this way: The money paid out by the Government to borrowers for lifting their notes and mortgages will go at once into the hands of their creditors, and it would seem hardly fair to pay off a 10-per-cent debt with 1-per-cent money without at the same time, in some way, providing at least a temporary investment for the money—affording a way out of the old into the new. It is changing from one system to another, and some time and concessions are needed in adjustment of methods made necessary by the change.

During three years next after the inauguration of this scheme, money may be lent on long-time and on real-estate security by private persons and companies and corporations, except national banks, just as is being done now, except that the rate of charge for the use of money shall not exceed 3 per cent per annum, and no contract for the payment of a money debt shall be enforced if the promise to pay is in gold or silver coin, or bullion of coin fineness. A *money* debt shall be paid in *money*—any kind of lawful money—and the debtor shall be at liberty to choose for himself the particular variety he will pay.

By relieving money and notes from taxation (which amounts to 3 per cent on a general average), investors will find 3-per-cent loans then to pay about as well as 5-per-cent loans do now. Eliminate the middle-man, and his fees will be saved to the investor. This will amount to 2 per cent a year.

When we consider how fast money can be made to pay debts which are scattered among a large number of persons, it is easy to understand how we may pay all the farm and house indebtedness with $850,000,000 to begin with. Say A, B, and C are in debt equal amounts. A borrows money from X and he pays Y, who lends the money to B to pay Z, and Z lends it to C, who pays his creditor, and so on. Here these debts are all paid with the same money which paid one of them.

A thousand farmers are indebted to ten persons; they borrow money at low rates from the Government, and pay their creditors, who immediately relend it to other needy debtors, who pay their creditors, and so on. If we put the aggregate mortgage indebtedness at $3,600,000,000 and pay $850,000,000 of the amount at once, authorizing money owners to relend at 3 per cent, they will avail themselves of the privilege—many of them will, because it is the best investment offering—and in this way, logically, in the course of the first year's operation of the new law, more than one fifth of the debt will be put on a 1-per-cent basis, and all the rest will be lowered to 3. After the expiration of three years the Government loan agencies would be able to take care of all the long-time loan business of the country.

# PART IV.

## *OBJECTIONS ANSWERED.*

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## CHAPTER I.

### THE OBJECTIONS STATED.

FIVE general objections will be interposed against this scheme :

1. That it is the work of a crank.
2. That it is impracticable.
3. That it would derange values and interfere with business.
4. That Government ought not go into the business of banking.
5. That it is bad policy to relieve money and notes from taxation.

There will be many other minor objections, but they may be considered under these general heads. Let us take them up in the order here given.

### NOT THE STORY OF A CRANK.

The first objection is superficial ; it will not be raised by any person who is disposed to consider the subject seriously. This does not read like the story of a crank. The matter treated is of the gravest character ; it ought to have careful attention, not sneers. The time has come for study; civilization is opening new fields for exploration. New phases of old things appear. There is a growing demand for larger liberty and greater equality of privileges. Half the wealth of the country is owned by a few thousand persons. Seventy men are rated at an average of $37,500,000 each, making an aggregate of $2,700,000,000; thirty other persons are put down at an average of $15,000,000 each, making a grand total of $3,000,000,000 as the ascertained wealth of one hundred citizens of the United States. And these are only conspicuous examples. It is estimated by a careful student, Thomas J. Shearman, that "the United States are practically owned by less than 250,000 persons." The distribution is expressed in these figures:

| CLASS. | Families. | Wealth, in millions of dollars. | Average per family. |
|---|---|---|---|
| Rich | 182,090 | 43,367 | $238,135 |
| Middle | 1,200,000 | 7,500 | 6,250 |
| Working | 11,620,000 | 11,215 | 968 |
| Total | 13,002,090 | 62,082 | $4,775 |

Poverty is increasing absolutely and relatively, farm values in all parts of the country are decreasing, rents and debts are increasing, agriculture is profitless, and wages are barely supporting. Money alone is returning large gains. Government bonds command 25 to 26 per cent premium, and money dealers are reaping rich harvests, while farmers, with large crops, can pay little if any more than their taxes and the interest due on their debts. A change is inevitable. The object of this writing is to show a just and honorable way out by helping the poor and doing no wrong to the rich. The Constitution of the United States empowers Congress to "pass uniform laws on the subject of bankruptcies," and thrice has that power been exercised—in 1800, 1841, and 1867. The object of bankrupt laws is to relieve debtors from the obligation to pay their debts. "The Way Out" proposes to help debtors not to get rid of their debts, but to pay them, and in good money.

If these things be but the visions of a dreamer, then indeed are half the people mad. The truth is, the love of money is the most dangerous influence now active in American affairs. The money power is conservative, but it impoverishes the people. It controls the business of the country, the markets and the values, and its managers grow continually richer and more arrogant, while the men who perform the manual labor and produce the commodities grow weaker socially and politically, and poorer and more dependent financially. This condition of things can not long endure and the people remain free.

### THE PLAN IS PRACTICABLE.

The second objection is that the plan presented is not practicable. But why not? It is only changing the application of existing methods. Everything here advised is now in actual operation, and quite successfully. The only reason why it appears impracticable is that it is new in arrangement. The power vested in Congress and Congress alone to supply the people with money, carries with it the duty to direct the application of the power in practice, just as the authority to create courts carries with it the power to assist the courts in the performance of their duties. Judges are not usually farmers, merchants, manufacturers, or railroad managers, yet it frequently happens that they must direct the management of farms, of mercantile establishments, manufacturing processes, and railroads. Death, failures in business, default in payment of dues, and neglect or refusal to meet engagements make it necessary for courts to appoint administrators, executors, referees, and receivers, with necessary assistants, to settle business which can not be settled in any other way. Vast interests are managed in this way by the Government through its officers, the judges and their appointees, and without any friction or failure. All this is quite practicable.

Look at the Post-office Department, managed by the Government through one man. The Postmaster-General, in a recent report, describes the postal service of the United States as "the largest business concern in the world, consisting of a central establishment with almost 60,000 branches, and employing 150,000 people." And there is nothing impracticable in the working of this vast machine by the Government. He recommends the division of the country into twenty-six postal districts according to population and territory, with an executive officer at the head to look after the work personally. And there is nothing impracticable about that. The Secretary of War, through agents, purchases supplies for the army, including farm products, grain, flour, hay, horses, meat, cattle, manufactured goods, clothing, shoes, and camp and garrison equipage. . . . The Secretary of the Navy goes into the market for a great variety of articles which he procures through agents. . . . The Secretary of the Interior superintends schools and instructs Indians in the art of farming, and he has under his direction an army of agents and clerks, all operating under a system which works perfectly. . . . The Secretary of Agriculture has charge of experiment stations in every State; he superintends the making of sugar, the raising of new varieties of grain and trees, and he has men out continually looking after farm and stock interests. . . . The Secretary of the Treasury conducts a business amounting to thousands of millions of dollars annually. And all these things are practicable for the Government to do. . . . Taking the census requires an army of people—between 40,000 and 50,000—

and every house in the country is visited by Government agents. Perfectly practicable. . . . The Comptrolier of the Currency, October 30, 1889, had charge of 3,262 national banks, with a circulation of $131,000,000, and doing a business amounting to a hundred times that much in the course of a year. The Comptroller's report for 1888 says: "The monetary transactions of the Government have been conducted through the offices of the Treasurer of the United States, nine assistant treasurers, and 297 national bank depositories." The Treasurer's report for 1889 shows that of the 3,262 national banks, doing business, the Government had designated 270 of them as depositories through which the Treasury acts in distributing money direct from the Treasury, and they held public moneys amounting to $47,259,714. A year before the amount was $58,712,511.

The plan proposed herein would not require many more agencies than the Treasury now has, and it would not require the local deposit of much more public money than is now deposited in banks. Nor would it require the service of many more people than are now employed in these depository banks. The business of the whole country could be done through about 300 agencies with a force of 3,000 to 4,000 persons. The Comptroller of the Currency, with a force of 92 assistants and a corps of bank examiners, superintends the business of over 3,500 national banks. These banks employ an average force of ten persons at least, making a total of 35,000 persons engaged in national banking, all looked after by one man at Washington on a salary of $5,000 a year. And this is practicable; it has been going on a long time.

### GOVERNMENT LENDING MONEY.

But let us go a little more into detail, and note particular points under the head of the third objection. . . . The

Government lending money to the people is not a new thing. It is at least twenty-seven years old. The national-bank act was passed for the very purpose of lending money to the people. Government bonds are deposited as security to bill holders, the Secretary of the Treasury issues notes to the banks, and they lend them to the people. The Secretary of the Treasury, in his 1866 report, stated the object of establishing the national banking system was to provide a *permanent* currency for the people. The Government prepares the notes and gives them to banks for the purpose of lending them to the people. Upward of $358,000,000 of that kind of money was out among the people at one time, and there is now $120,000,000 out. The banks were made the agencies through which the money was to be distributed, and care was taken to apportion the number of banks to be established so that the different parts of the country should be fairly supplied. And at this hour $23,000,000 of public money is held by 270 of these banks, placed there by the Secretary of the Treasury, without charge to the banks, simply to have it where the people can get it if they want it at bank rates of interest. . . . The Treasurer of the United States, in his report for 1889, calls attention to the money-lending feature of the Government's work. "In becoming practically the sole issuer of currency," he says, "the Government has assumed the duty of supplying the needs of the public for a circulating medium." He devotes all of page 12 to this subject, suggesting points of interest, all having reference to the present method of getting money to the people through banks. Why not dispense with this costly method, and, instead of giving money to the people charged with 6 to 10 or 12 per cent interest—the profit of the banks—give it to them directly through Government agents, charging for the service only what the work is really worth? That is the only change proposed in this scheme. If the money is for the people, why not give it to them directly, without the intervention of persons who make a profit on the transaction? Do away with banks for this purpose altogether, and furnish money to the people at cost of distribution, just as other things which the Government furnishes are supplied. If the banks will act as Government agents, well; if not, employ private persons to do the work. Get the money to the people at cost. That is the great work to be done. . . . No conflict between State and Federal authority on the matter of taxing money will take place, because it has been determined many times that Government bonds and notes can not be taxed by local authority; and if Congress can relieve bonds from taxation it surely can do the same for the money it issues to the people, whether metallic or paper. Treasury notes, greenbacks, national-bank notes, coin certificates, are not taxed; none of the paper money now in use among us is taxable. And if Congress can regulate interest it can regulate the taxation of money. . . . The plea that the Government ought not to go into a banking business, as this will be styled, will hardly be sustained in face of the fact that the Government is now doing that very thing. It went into the banking business in 1863, when a certain act of Congress took effect—the act entitled "An act to provide a national currency," etc. Under the provisions of that act there were 3,262 Government banks in the country on the 30th of October, 1889. Every right and privilege which these banks enjoy were given them by Congress. It is too late now to say the Government can not engage in banking. And it is perfectly practicable. Besides banking, the Government, through its post-offices, is doing a money-order and postal-note business amounting to many million dollars yearly. More than $1,000,000,000 passed through the mails in 1889, as the report for that year shows. Custom houses are collecting agencies, where upward of $200,000,000 are collected annually and turned over to the Government. There are over 3,000 items in the tariff schedules. Nearly if not quite 100,000 persons, besides those at work in the post-offices, are employed in the public service—95 per cent of them looking after details.

### The Proposed Change is Reasonable.

The change will repel some people; too great a change, they will say. But think a moment, dear conservative. How old are you? What changes have been brought about since the message "What hath God wrought?" was sent through wire? Look about you. Everything is changing. Why, infant damnation is about to be discarded by Presbyterians, and Catholic laymen hold a public convention in presence of and with the consent and approval of the highest officers of the Church; our Congregational brethren are beginning to wonder whether, after all, there is no hope after death; Baptists have about determined to leave the Almighty free to dispose of the unbaptized; Episcopalians are discussing whether it is still sacrilege to exchange pulpits with clergymen of other denominations; "Campbellites" are no longer despised because they want to be Christians; and a citizen may advocate the brotherhood of man without danger of being battered and dragged about the streets as a public enemy. . . . It will be said the Government will not be secured against loss. The post-office at Topeka, Kansas, does a business amounting to nearly $450,000 a year—stamp sales, $90,000; money-order transactions, $350,000. The work of the office is done by about twenty-five persons, and the postmaster's bond is $60,000—good for double that amount. There are at least 1,000 post-offices in Kansas doing an average annual business of $50,000, all secured by bonds of the postmasters. It is the same in all the States. Every Government civil officer who handles public money gives bond for the faithful discharge of his duties, and the record shows that, while some losses occur in the *collection* of money, the loss in *handling* it after it is collected is so small as to be hardly worth mentioning—only a small fraction of 1 per cent. The United States Treasurer handled thousands of millions of dollars during our great war and since, and not a dollar of it was lost. Of the 4,455 national banks organized since the original act was passed in 1863, only 129, less than 3 per cent, failed, and not a cent was lost to the Government or to bill holders. Losses in the money-order business are virtually nothing. Not one dollar in a thousand is lost through dishonesty of Government officers. This proves that it is practicable to secure the Government against loss by bonds which citizens can give. But let us make a practical test of the matter by what is actually being done in the very matter now under consideration. What can be done by private persons could be done by the same persons if they were acting for the Government quite as well and as safely as they do it for themselves or as agents for other people. In a circular letter, under date January 1, 1889, addressed to its patrons and friends, the Kansas Loan and Trust Company, before referred to, reports that in an aggregate business of 17,083 loans negotiated, involving $17,308,376, nothing had been lost to the investors. The same men could make as good a record if they were acting for the Government instead of for private citizens and corporations. And it is just that class of men who would be employed to do the work provided for in this scheme. . . . In case of foreclosure of mortgages by the Government, proceedings would be precisely the same as now. The lands would be sold to whomsoever would purchase. In case there were no bidders, and the Government was compelled to bid it in, then in due time it would be advertised and offered again. It would not be public land, open to homestead, but would be sold the same as any other property of the Government taken for debt.

### IT WOULD NOT DERANGE VALUES.

The third objection—that this plan would derange values—has no force except in one direction. It would tend to raise prices of commodities, more particularly of farm produce, and it would lessen the value of money in a corresponding degree. But this would not be spasmodic; it would come regularly, just as the downward change came. There would be no more derangement during the time of the upward movement of prices than there has been in the downward movement; and if farmers and mechanics and day laborers could get along while prices were falling, other classes can manage to get along while prices are rising.

The fifth objection—that money ought not to be relieved from taxation—will come chiefly from persons who return for taxation cents when they could honestly return dollars. On examination it will be found that a very small fraction of the money in the country is taxed; much the greater portion of it escapes taxation altogether. The Treasury and the banks of the country hold about one half, and two thirds of the rest is so manipulated as to escape the attention of assessors. This is so well understood by the people that it is not necessary to present tables. But if every dollar in circulation were returned for taxation, the amount is so small in proportion to the value of all the property in the country—about one to sixty—that if it were dropped out of the assessment its loss would hardly be noticed. Money can be hidden, but farms are easily found. Many a man escapes taxation on his money, but no farmer is missed. And as to relieving notes given for the payment of money, that follows logically. If money is non-taxable because of its function in trade, it ought not be hampered in any way. If it be hoarded or withdrawn from circulation wrongfully, that should be punishable. There would be no money lending, however, under the operation of this plan, except by the Government, after three years, unless at the established rate, and that would not bear taxation. If a man lend money at 1 per cent for a year or five years, and if he be taxed 3 per cent on the notes, he would have to borrow 2 per cent of the amount from another fund to pay his taxes on the notes.

## Paper Money.

It will be said that paper money is a dangerous thing. But what is to be done when we have not enough gold and silver to supply the demand for money? What little coin we have is mostly owned by persons who lend it only on usury. Do we not all know that when danger threatens gold vanishes and the people are driven to the use of paper? Have we forgotten our own history during and since the great war of 1861? Banks suspended specie payment four months after the first great battle was fought. Capitalists loaned us money at 12 per cent interest; they purchased our bonds with notes that they themselves had forced to depreciation, then made us promise to pay the bonds in gold. And now it is the money changer and his pupil that oppose paper money. They make gold scarce and dear, then they measure paper with it and call the paper "cheap money, a cheat, and a fraud upon the poor." It is time to let the people look after this matter. We ought to learn something from the experience of other nations as well as our own. Many times in European affairs great wars were fought out with paper money only. In Russia paper money was issued frequently in cases of emergency—notably in 1770, during a war with Turkey, and later in war against Napoleon of France. Great Britain used only paper money from 1797 to 1823. Russia, Prussia, and England issued paper money jointly in 1813, for use during their alliance against the French. France in 1848, and again in 1870–'71, issued paper money. In all these cases the paper served all the purposes of money and the people lost nothing by its use. Prussian states long ago used paper money, based on real estate, with success, and now many of the small German states have treasury notes which circulate as money. Referring to our colonial history, as collected by Prof. Sumner in his *History of American Currency*, Pennsylvania in 1723 issued notes on real-estate security. "The issue was for £15,000 (about $75,000), put in the hands of commissioners in each county, acccording to the taxable assessment. The commissioners loaned the bills at 5 per cent on mortgage of land. The loan was for sixteen years, payable one tenth annually, and the interest was to defray the expenses of Government. Installments repaid during the first ten years of the period were to be loaned out again only for the remainder of the period."

Every one of the colonies, at one time or other during the first one hundred years of their existence, used paper money, to the general good of the people.

Early in the eighteenth century Virginia adopted tobacco as a currency. It was deposited in warehouses, and the receipts for it passed as currency. Prof. Sumner says: "It was a true money."

### JOHN LAW AND THE ARGENTINE REPUBLIC.

It is urged that we propose an experiment which was once tried by John Law, and recently in the Argentine Republic. This is a mistake, to say the least. We propose nothing like either of those schemes. John Law's plan was for people in France to bank on wild lands in Louisiana. It was a private money-making enterprise, and proved disastrous, just as many of our mining schemes now do. . . . The mortgage bank of Argentine was established, not to assist the people in the conduct of their business affairs, but to aid speculators to "mobilize their land." The Argentine Government does not issue money to the people on real-estate security. It authorizes the mortgage bank to issue certificates (*cédulas*, they are called) to persons who mortgage their lands, and the *cédulas* are sold for money, just as we sell shares of railroad stock and raise money on them. The ordinary mortgage of real estate, as security for borrowed money, is common in Argentine, as it is in other countries, but it is done under the general law, and not in the mortgage bank. The *cédulas* bear interest and the Government assumes to see that the interest is paid. But, while the plan proposed in this book is in no respect like that in force in Argentine, and while nobody in this country advocates such a plan, still, if the goldmongers had kept their hands off and let the people alone, few persons would have been any the worse for the monetary conditions in that country. It is because money changers have always managed to get into the affairs of nations, and compel metallic monetary standards, and then spend the rest of their lives in making the standard scarce and hard to get, that so much trouble is experienced among those who have to pay the debts. In every nation that uses an exclusively gold standard, money panics occur once in about every ten years. At such times gold vanishes and the people are robbed. . . . Concerning the Argentine mortgage bank, Consul Baker, in his report to the State Department, as appears in *Consular Reports*, November and December, 1889, at page 653, wrote as follows: "I refer to the fact that, in addition to the usual legal facilities for borrowing money on mortgage, the Argentine Congress has by law established a great national mortgage bank, whose special functions are to make loans on the hypothecation of real estate. The law creating this bank was passed on the 14th of September, 1886. The President, in his last message to Congress, speaks of it as 'an institution which will greatly multiply the elements of credit in the Republic'; and the Minister of Finance, in a speech he made in the House of Deputies a few days ago, declared that 'the bank is a great boon to the people for the reason that land is the great patrimony, the immense capital of the country, and every facility should be given to mobilize that capital and increase its value.' By its franchises this bank can operate in all the provinces and territories of the republic. Its functions are *not to loan money on mortgage*, but to issue transferable mortgage bonds (*cédulas*) on the execution of mortgages in its favor, which *cédulas* are put upon the market and sold for what they will fetch by the holders, and the nation guarantees to the holders the service of the interest and amortization. They are made payable to bearer, and they bear an annual fixed interest (not to exceed 8 per cent) and an annual accumulative sinking fund for their ultimate payment, the maximum of which shall not exceed 2 per cent. The bank is managed in the capital of the Republic by a board of control, consisting of a chairman and eight directors, appointed by the President, and in the different provinces and territories by means of administrative councils. The board can make no loan of less than $1,000 or of more than $250,000 to any one person, nor can any provincial council grant loans of more than $5,000, unless specially authorized by the board. The face of the *cédulas* can not be less than $25 nor greater than $1,000."

The plan we propose is that the Government prepare money—good money—and lend it to the people on just such security as individual money lenders now take, and which the Government enforces. We want money direct from the Government, offering the same security that the Government offers for its debts—the property of the people. And we want money, not certificates to sell to speculators for money.

# PART V.

## *BENEFITS EXPECTED TO FOLLOW.*

Among the benefits which it is expected would logically follow the adoption of the plan here proposed, the following may be written as the most important:

1. Destruction of the influence of the money power, which is the aggregate commercial influence of men who deal in money as a commodity, virtually operating as a money combine.

2. A higher standard in practical politics.

3. The saving to their owners of many million homes.

4. The establishment of methods to assist farmers, mechanics, and manufacturers—producers generally—to secure the use of money for a short time on pledges of personal property in private or public warehouses.

5. Assistance to persons of limited means in purchasing homes, and aid to settlers on public lands in paying for them and improving them.

6. Assistance to individual persons through organization—as granges, alliances, unions, building associations, etc.; and to individual persons on their own account, as merchants, small tradesmen—every person that can offer any sufficient security.

7. The equalization of profits on labor.

8. Establishment of Government savings banks.

9. The establishment of a correct monetary system, limiting the use of money to its proper functions, a wide

distribution of money, getting it to the people as they need it, and without charge beyond its actual cost.

10. Public control of transportation and all other agencies which exercise public functions.

If there is any proposition in political economy which may be regarded as established so as to be universally conceded, it is this: That prices of commodities in general are affected by the volume of the circulating medium—money. A large volume of circulating money, long continued, prices rise; small volume, long continued, prices fall. It follows, logically and practically, that whoever controls the volume of money in circulation controls prices. If, then, the people control the money volume, as is proposed in this plan, the people will control prices. That will be the destruction of the money power, and the emancipation of labor.

With the destruction of the money power, the death knell of gambling in grain and other commodities will be sounded; for the business of the worst men on earth will have been broken up, and the mainstay of the gamblers removed. It will be an easy matter, after the greater spoilsmen have been shorn of their power, to clip the wings of the little ones. Once get rid of the men who hold the country by the throat, the parasites can be easily removed.

Unless relief is afforded to most of the farmers and other producing people whose homes are mortgaged, they will be homeless in a very few years; and it is evident to all who have carefully studied the situation that relief, if it come at all, must come through a reduction of interest rates to a figure which can be paid, leaving something to pay on the principal.

As things are now, persons of small means—they who most need assistance—are dealt with the most mercilessly, and it is not because they do not offer security, but because they are too needy to quarrel with a robber. If a bureau and a table will secure an interest rate of 150 per cent, surely the same articles will secure a rate of 3 per cent. Farmers can erect their own warehouses, store grain and cotton and tobacco in them, and borrow money on the deposit checks. Fifty farmers, with an aggregate cash capital of $25,000 or more, may start a bank of their own, if they prefer, depositing that amount of lawful money in the Treasury at Washington, and receiving bank notes to use in their business. Mechanics and manufacturers may join with the farmers, or build their own warehouses, storing goods in them, borrowing money, if needed, on the receipts. And the same as to working people generally. Under a well-regulated system of appraisement, a general warehouse for producers of all classes would furnish a means of storing the best securities in the world—food, clothing, and other needful articles, which lose nothing in value by being housed a few months. Cities, counties, and townships might be authorized by law of Congress to erect the necessary buildings and select the agents to conduct the business. If not done by the public in general, then let associations of individuals, as granges, alliances, building associations, investment companies and the like take charge of the work.

Many persons could purchase and pay for homes in city and country if they could procure the use of money on long time at 1 per cent interest; for then they could pay something every year on the principal, and eventually get out. This plan would supply that need. And a settler on the public lands—an old Indian reservation, for example, which is being sold at $1.25 an acre—after having complied with the necessary conditions of settlement, thus showing his good intentions, could borrow money from the Government and repay it without trouble—paying no more each year than men are now paying as interest only on equal amounts. Money at 10 per cent doubles itself in ten years; money at 8 per cent doubles itself in twelve years and six months; money at 6 per cent doubles in sixteen years and eight months; and money at 1 per cent doubles in a hundred years.

Government savings institutions wouid necessarily follow, because this plan would eventually do away with private money-lending as a regular business.

THE END.

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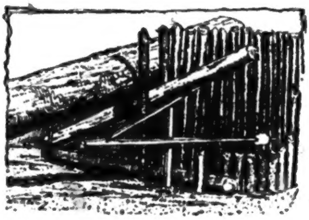

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